UNITED
NATIONS

UNITED NATIONS CONFERENCE
ON HUMAN SETTLEMENTS
(HABITAT II)

Istanbul, Turkey
3-14 June 1996

Distr.
GENERAL

A/CONF.165/7
28 March 1996

ORIGINAL: ENGLISH

Item 8 of the provisional agenda

THE FUTURE OF HUMAN SETTLEMENTS: GOOD POLICY CAN MAKE A DIFFERENCE

Note by the Secretariat

Pursuant to General Assembly resolution 47/180 the Preparatory Committee for Habitat II, at its second substantive session, decided, in its Decision II/6, that the major reviews of human settlements trends and conditions that had been submitted to its second session and the Global Report on Human Settlements should be synthesized into one set of internally consistent findings. In accordance with that Decision, the present document, prefaced by an executive summary, has been prepared as a compendium of settlements and shelter issues and trends, including an evaluation of current and past policies and a look into the future. The summary was originally issued as document A/CONF.165/PC.3/3/Add.1 and the main text as A/CONF.165/PC.3/CRP.2 for the third substantive session of the Preparatory Committee.

The present document is synthesized from the following major Habitat reviews:

- *The State of Human Settlements Report 1996 (The Global Report on Human Settlements which is being distributed at the Habitat II Conference as document A/CONF.165/INF.3)*;
- *Review of Trends in Policies and Programmes Undertaken by Countries and International Organizations to Implement the Recommendations Adopted by Habitat: United Nations Conference on Human Settlements* (A/CONF.165/PC.2/4);
- *Mid-term Review of the Implementation of the Global Strategy for Shelter to the Year 2000* (A/CONF.165/PC.2/5 and A/CONF.165/PC.2/6);
- *Review of the Contributions to the Implementation of Agenda 21 of National and International Action in the Area of Human Settlements* (A/CONF.165/PC.2/8); and
- *Review of Current Global Trends in Economic and Social Developments as they Affect Planning, Development and Management of Human Settlements, and Recommendations for Future Action at the National and International Levels* (A/CONF.165/PC.2/9).

96-10717

NB/28-3-96/SB-1/E

CONTENTS

		Paragraphs	Page
I.	EXECUTIVE SUMMARY	1 - 39	6
II.	GLOBAL TRENDS AND THEIR LINKS TO HUMAN SETTLEMENTS	40 - 61	12
	A. General trends	41 - 44	12
	B. Macroeconomic trends and urban poverty	45 - 51	14
	1. Growth, debt, trade and adjustment	45	14
	2. Trends in urban poverty and labour markets	46 - 48	14
	3. Inequality, polarization and exclusion	49 - 50	15
	4. The social costs of the divided city	51	15
	C. Trends in urbanization and urban shelter	52 - 61	15
	1. Urbanization and urban growth	52 - 54	15
	2. Trends in urban shelter	55 - 59	16
	3. The urban environment	60 - 61	17
	Summary		18
III.	HUMAN SETTLEMENTS PLANNING AND MANAGEMENT	62 - 96	19
	A. General trends	62 - 83	19
	1. Implementing Agenda 21: urban environmental management	65 - 67	20
	2. Good urban governance and the role of participatory planning	68 - 72	22
	3. The challenges of urban management	73 - 77	24
	4. Planning and management in the liveable city	79 - 83	27
	B. A brief history of shelter policy and practice	84 - 91	27
	1. From direct production to support for others	86	28
	2. The rise of public-private partnerships	87	29
	3. From gender-blind to gender-aware policy and planning	88 - 89	30

CONTENTS (continued)

		Paragraphs	Page
	4. From self-help ownership to choices about tenure	90	31
	5. Property rights and security of tenure	91	31
C.	Shelter strategies: from global to local	92 - 94	31
D.	Donor policy and external resource flows to human settlements	95 - 96	33
	Summary		35
IV.	INSIDE THE CITY: POLICY AND PROGRAMME RESPONSES	97 - 124	36
A.	Inside the city	97 - 100	36
B.	Policy and programme responses	101 - 121	36
	1. Land and land management	104 - 107	37
	2. Infrastructure and essential services	108 - 111	39
	3. Financing shelter and human settlements	112 - 115	40
	4. Rationalizing housing subsidies	116	42
	5. Housing	117 - 121	43
	(*a*) Stimulating the construction sector and the supply of affordable building materials	118	43
	(*b*) Reforming building and planning standards, norms and regulations	119	43
	(*c*) Promoting rental housing	120	44
	(*d*) The importance of secure claims	121	44
	6. Promoting income-earning opportunities and safety nets for the poorest	122	44
C.	Managing supply and demand in the city: resource management and environmental protection	123 - 124	45
	Summary		45

CONTENTS (continued)

		Paragraphs	Page
V.	STRATEGIC ISSUES	125 - 152	46
	A. Are cities good for development?	126	46
	B. Land and finance	127 - 129	47
	C. The essential balance: freedom to build versus duty to protect	131 - 133	47
	D. Good urban governance	134 - 137	48
	E. The challenge and potential of urban management	138 - 140	49
	F. Scale and impact	141 - 143	50
	G. Making human settlements sustainable	144 - 146	52
	.sues of difference	147 - 149	53
	.. sing the policy-implementation gap	150 - 152	54
	Summary		54
VI.	POLICY FOR THE FUTURE	153 - 157	55
	Ten good policies that will make a difference for sustainable human settlements		56
APPENDIX:	List of documents reviewed		57
ENDNOTES			58

TABLE

1.	Levels of urbanization	16
2.	Basic conditions in urban shelter	17
3.	Government expenditure in cities	25
4.	The evolution of human settlements policies	26

BOXES

1.	Global shelter shortages	17
2.	Examples of urban pollution	18

CONTENTS (continued)

		Page
3.	Key shifts in human settlements planning and management	20
4.	The goals and principles of the Habitat II Agenda	20
5.	Pollution control in São Paulo	22
6.	Participatory planning in Bogotá	23
7.	NGO/CBO roles in human settlements	24
8.	Large-scale upgrading - what breeds success?	29
9.	Common features of successful public-private partnerships	30
10.	What factors underlie weak implementation of shelter strategies?	32
11.	Innovations in national shelter strategy development	33
12.	Donor support to capacity-building	34
13.	Innovations in land policy	38
14.	Public transport in Curitiba (Brazil)	38
15.	Public-private partnership in service provision - the experience of AGETIP	40
16.	Financing shelter and human settlements	41
17.	NGO innovations in housing finance	42
18.	Experiments with housing subsidies	43
19.	Cross-cutting issues from mega-cities	46
20.	The basic features of good urban governance	49
21.	Approaches to scaling-up	51
22.	Scale, reach and sustainability - the experience of FONHAPO	52

I. EXECUTIVE SUMMARY

1. We live in an urbanising world: by the end of the millennium, and for the first time in human history, the majority of the world's citizens will be living in towns and cities. For many millions of people, urban living has become a matter of survival, far distant from the promise of safety and prosperity held out by city visionaries through the centuries. In too many cities, this vision is overshadowed by poverty, violence, pollution and congestion. Yet cities all over the world continue to grow, and to resist all attempts to limit their expansion. Cities remain the centres of global finance, industry and communications; home to a wealth of cultural diversity and political dynamism; immensely productive, creative and innovative. In the abstract, cities are neither "good" nor "bad" for human development: they can and do contain elements of both. The key and urgent task is to enhance those elements that are for the good and counteract those that are for the bad, in order to make cities successful in social and environmental as well as economic terms, for all their citizens, and for generations to come. This is the challenge for Habitat II in Istanbul.

Box 1

TEN GOOD POLICIES THAT WILL MAKE A DIFFERENCE FOR SUSTAINABLE HUMAN SETTLEMENTS

1. Welcome the benefits and opportunities provided by the growth of cities, but combat urban inequality and environmental degradation. Otherwise the cost of cities will outweigh their benefits in the long term.

2. Release the energies and tap the resources of people and businesses, but don't leave everything to markets. Governments must coordinate the actions of others, monitor, and correct abuses. Freedom to build must be balanced by a duty to protect the interests of the poor.

3. The best way to protect the interests of poor people where government resources are scarce is to attack supply constraints on a very large scale, especially in land and finance. Use positive measures (such as guided investments) rather than negative ones.

4. Strengthen the structures of urban governance and the institutions of the city - economic, political and civic. Create an enabling framework for civic action - respect NGOs and CBOs as independent expressions of civil society. Adapt universal principles of transparency, accountability and representative governance to the local situation. Always involve women.

5. Maximize the use of public/private partnerships to draw in additional resources and capacities, but don't confuse "private" with "commercial". All partners must receive benefits from their participation.

6. Concentrate on scaling-up successful ideas, attitudes and approaches, not just projects and programmes. Use scarce public and NGO funds to lever additional resources from larger structures and institutions on a sustained basis. Strengthen links between formal and informal structures.

7. Strengthen government capacities at all levels, but don't see urban management as a panacea. Enhance local control over resource-raising and spending with accountable structures and transparent performance-monitoring. Policy can make a difference, even when resources are scarce.

8. Don't take on too much: focus on a small number of key intersectoral issues such as urban poverty, the "brown agenda", and supply constraints, and lay down time-bound goals and strategies to address them. Maximize learning.

9. Don't divorce shelter and human settlements from wider economic, political and social policies. Adopt the holistic approach.

10. Make policy according to the local situation, not imported models or ideologies. Globally-driven market economics does not supply all answers to problems of equitable and sustainable human settlements development.

2. This report is a summary of what we know about human settlements now, and what we need to do to make the vision of the sustainable city a reality in the future. It concentrates on general principles, common lessons of experience, and examples of good practice which have been shown to work. These approaches and experiences show that progress is possible even when resources are scarce and poverty is widespread; they show that good policy can make a difference.

Global Trends and Their Links to Human Settlements

3. Over the past 50 years, and particularly since the end of the cold war, the world has witnessed profound economic and political changes, as well as an underlying continuity in patterns of growth and inequality. These are the changes that lie behind the rise of urbanization as a global phenomenon in the final quarter of the twentieth century. Some are the culmination of economic and technological forces with their roots in the industrial revolution and the rise of capitalism. They include:

- the increasing economic advantages of cities;
- globalization of the economy;
- the rise of service industries compared with agriculture and manufacturing; and
- technological innovation.

4. Other changes have a more recent origin. The fall of the Berlin Wall and the collapse of the Eastern Bloc in the 1980s is seen by many as confirmation that there is no alternative to markets and market-oriented policies as the prime instrument of economic growth. On the political side too, the roles and responsibilities of public and private actors have been redefined. There are few advocates nowadays of "big government" or centralized State planning; a wave of democratization is sweeping the globe as people struggle to redefine their sense of national identity and systems of governance; the seat of political power is slowly shifting from central administrations to local authorities; and NGOs, CBOs and people's movements play an increasing role in economic and political life.

5. These broad trends are of huge significance for human settlements and shelter. Overall, globalization produces common problems and opportunities but widely varying patterns and outcomes, demanding different responses in each case. On the negative side, inequality, homelessness, urban congestion, and environmental degradation are increasing while national and municipal governments seem less and less able to manage them. The sheer speed and diversity of the processes of change affecting cities makes new management tools and approaches essential. On the positive side, urban productivity and economic activity are increasing, health standards are rising and access to water and sanitation is improving. Democratization creates more space for the non-governmental actors, public-private partnerships, and decentralized, participatory planning and management which are key features of a successful urban future.

6. Macroeconomic performance sets the overall resource framework for human settlements in all countries, but for many developing countries the last 15 years have been extremely difficult. The "structural adjustment" policies advocated by international institutions such as the World Bank and IMF as a solution to chronic economic weaknesses in developing countries have, in the short term, reduced government expenditure and had a particularly severe impact on the urban poor. Although there is a clear correlation between economic growth, the level of urbanization, the quality of shelter and basic services provided, and social indicators, there are many exceptions to this rule: policy can make a difference, even when resources are scarce.

7. The World Bank estimates that about 330 million people are living in "absolute poverty" in the cities of the developing world, close to 600 million in "life-threatening conditions", and 800 million in "sub-standard housing". Urban poverty has increased more rapidly than rural in sub-Saharan Africa and Latin America (though not in East Asia). A common conclusion of the Habitat reviews is that economic inequality and social exclusion are increasing within and between countries and cities, North and South. This is partly a result (at least in the short term) of economic liberalization, since markets always discriminate against those with less income and fewer assets. Inequality in cities is increasingly visible: the sight of the rich barricading themselves behind high walls in the exclusive suburbs of Los Angeles or Bogotá is as much a sign of exclusion as the growing number of homeless young people on the streets of London or Bombay.

8. Patterns of urbanization and urban shelter mirror trends in economic growth and inequality. Urban growth is rarely "uncontrolled": it is a predictable response to trends in economic development and migration. Between 1990 and the year 2030, it is predicted that world population will rise by 3.7 billion; 90 per cent of that increase will take place in

developing countries, and 90 per cent of the growth in those countries will occur in cities.

9. However, the response of cities to these trends varies greatly, with the result that shelter conditions differ between cities even with similar per capita incomes. Shelter quality, density, and servicing (though not affordability) increases with national income. However, these figures disguise enormous variations between and within cities of similar income characteristics according to sex, housing tenure, access to services, and affordability. In some cities, land and house prices and rents have increased more quickly than incomes, but elsewhere housing options do not seem to have declined, because incomes have kept pace with prices, because poor people have adapted to declining conditions in the housing market, and/or because local governments have adopted particularly successful policies. There is certainly no evidence, however, that the shelter conditions of the poorest urban groups in developing countries have improved over the last 15 years.

10. Trends in urban environmental degradation are more straightforward, with an almost universal increase in pollution and energy consumption as a result of urban, industrial growth. This is true both for cities themselves and for the impact of urban growth on environmental conditions at the national and global levels (the "ecological footprint" of cities).

Human Settlements Planning and Management.

11. In addressing these problems and opportunities, human settlements policy has changed significantly over the past 25 years. Four especially important policy shifts have concerned: sustainable development, governance, management, and the livable city.

12. In implementing Agenda 21 urban managers face at least four challenges:

- implementing the "brown agenda" (improving health, water, sanitation, solid waste management etc.);
- reducing physical hazards and accidents linked to congestion and overcrowding;
- achieving an ecologically sustainable relationship with the region surrounding the city (e.g. conserving agricultural land and distant water resources);
- ensuring that the city's "ecological footprint" - its impact on global sustainability - is positive (e.g. by reducing ambient air pollution and by controlling fossil-fuel consumption and motor-vehicle and industrial emissions).

For most cities in developing countries, the first of these goals remains the priority; in the industrialized countries, relations with regional and global sustainability tend to be more important, but few Governments have developed a national framework to guide decisions and penalize transgressors. Measures directed specifically at shelter can help, but environmental sustainability requires the alleviation of poverty if it is to be meaningful.

13. It is often said that poor people make the city work, but can the city be made to work for the poor? If that is to happen, their direct participation in planning and decision-making is vital; participation promotes effectiveness by making policy sensitive to real needs, increases sustainability by giving people a "stake in the system", and makes urban development more efficient by harnessing the resources and talents of all groups in the city. All groups must have a voice in key decisions at the city level. That means developing a
proper system of representative urban governance. Strong accountability mechanisms (through elections, for example) are essential for good governance, as is transparency among officials.

14. Urban managers face an immensely difficult and complex task. Not only must they deal efficiently with technical tasks but they must plan and implement policy in the context of diversity, uncertainty, and discontinuities in personnel and political leadership; manage highly imperfect land and housing markets; find and maintain the right balance between intervention and liberalization; forge new partnerships with NGOs and businesses; mediate between conflicting interests; and deal with pressures from central government to capture their revenue base and maintain centralized control over decision-making. Added to these demands are absolute resource shortages in most developing countries, where managers must make do with between US$ 2 and 5 per capita per year; there is little that can be done with such minimal resources, however efficient and effective managers are. This is a useful reminder for those who see urban management as a panacea for shelter problems. The first priority must therefore be to find ways of generating and controlling more revenue at the local level, without penalizing the poor in the process.

15. A second priority is to develop capacities to deal creatively with rapid and complex change, since this is what characterizes urban development. Urban growth cannot be "contained": social, economic and political changes in the cities of developing countries have already outpaced the ability and/or willingness of governments to change their institutional frameworks in order to manage them effectively. Rather, the fundamental challenge is how to marshal human, financial and technical resources in order to meet the needs of urban growth, and to do this sustainably.

16. The rise of holistic approaches to human settlements has not been limited to environmental concerns: it also embraces the close linkages which exist between human settlements and economic policy, social policy, culture and the less material (but no less important) dimensions of urban living such as safety and tolerance. This concern for the livable city is central to the Habitat II Agenda in Istanbul, and makes the task of urban planning and management much more complex.

17. These broad trends also govern the evolution of shelter policy and practice, but there are some other factors which have also been important in making shelter policy more effective and relevant: the shift to "indirect" approaches, public-private partnership, planning with an eye to the needs of both sexes, rental options as well as ownership, and housing rights. After examining each of these shifts in some, the report discusses the means by which they have been operationalized in practice: national shelter strategies.

18. It is now recognized that scarce government resources can go much further when they are used to facilitate construction by others who can do the job at lower cost, to more appropriate standards, and at a pace in line with the requirements of low and unstable incomes. Time and again, people in the developing world have demonstrated immense energy and creativity in developing their own shelter, once provided with basic support and inputs in the form of land, infrastructure, finance and materials. Experience demonstrates that what is required is a continuous process of shelter development (rather than isolated shelter projects) in which land is assembled, services installed and plots sold or legalized at prices the poor can afford. Governments now tend to focus on working with other (private) actors in positive and creative ways. This enables each sector to concentrate on what it can do best and (at least in theory) allows for the roles and responsibilities of public, private and third sectors to be made mutually-supportive.

19. The rise of concern for the needs of both sexes and a determination to end discrimination against women have been one of the most important developments in human settlements planning and policy since Habitat I. Urban planning must contribute to reducing inequalities between the sexes in access to shelter inputs, programmes and training, and recognize and respond to the different needs and priorities of men and women. Of course, awareness does not always translate into action, nor rhetoric into reality. Evaluations of awareness of the need to cater for both sexes in planning are unanimous in exposing a widespread failure to turn public commitments into mainstream practice.

20. Perhaps the single most important development in policy and planning over the last two decades has been the shift to the "enabling approach." Progress on national shelter strategies has been patchy, though. At the broadest level, most countries have adapted an existing strategy or put a new one in place, though far fewer have gone on to the next stage of detailed implementation and monitoring. The underlying philosophy of the enabling approach seems accepted by all, few governments continuing with outdated measures such as direct production of housing for the poor or the eradication of informal settlements. Yet concrete implementation remains weak, and many countries lack the detailed time-frame, sub-objectives and resources required to turn policies into strategies.

Inside the City: Policy and Programme Responses

21. Theoretically, shelter policy and programming are a simple affair: first, supply constraints need to be removed by bringing more serviced land on to the market, stimulating builders and landlords, easing access to affordable construction materials, removing unhelpful standards and regulations, and using infrastructure and public transport in the right way. Secondly, demand has to be increased by promoting income-earning opportunities and security of tenure, ensuring access to affordable housing finance, targeting subsidies properly, and protecting the poorest by using social safety-nets and other special measures. Thirdly, the city must have systems and capacities to manage and govern supply and demand in line with the needs and rights of all social groups. But in reality, supply and demand are heavily constrained, markets are imperfect, and management and governance are weak. Speculation and politicization are rife in most developing-country housing markets, partly because land and housing are valuable commodities and partly because policy and regulatory environments constrain supply.

22. Top priority should go to removing supply constraints, especially in land and finance. If this is done on a sufficient scale, shelter quality and affordability will rise without the need for costly regulatory and supervisory systems. Increasing effective demand is also important, but is more difficult to achieve as a short-term policy measure. In relation

to both supply and demand, there are at least four key areas for action. They are:

- getting more serviced land on to the market and managing its use more effectively, and improving infrastructure and services on a sustainable basis;

- improving and expanding the flow of finance to human settlements development, making credit accessible to lower-income borrowers, and rationalizing subsidies;

- facilitating the production of more affordable housing, by stimulating the construction sector; reforming standards, norms and regulations; promoting rental housing, and guaranteeing secure claims to property; and

- promoting employment and protecting the poorest.

The report examines each of these priorities in turn, ending with a brief look at their implications for urban management and environmental protection.

23. Land and land management: inadequate supplies of land have been the area of greatest failure in shelter strategies over the last 20 years, and the single most important factor underlying the poor performance of many housing markets. It is now recognized that governments need to work with rather than against land markets (especially informal or semi-legal ones) and concentrate on positive measures (such as infrastructure-led development and public-private partnerships) rather than negative ones (such as heavy regulation and evictions). At the same time, governments must manage the land supply to ensure that vacant sites within the built-up area are used efficiently, and that new land on the urban periphery is developed conservatively, i.e. that valuable agricultural land is preserved by guiding development along public transport corridors or development zones which have been provided with essential infrastructure.

24. Ensuring access to essential services and infrastructure: although governments play the key role in co-ordinating infrastructure and services, the most efficient and equitable mode of provision and maintenance will vary greatly between and within cities, and from one service to another. Where consumers can be charged separately and where competition between providers is possible, private provision may be better than public, so long as government has and uses the capacity to ensure quality and universal access. Where monopolies are likely (in water supply, sewerage and electricity, for example), the success of contracting out depends on the existence of a competitive market and a government willing and able to enforce standards. Shifts both ways from public to private, and from private to public provision, have been shown to produce beneficial results. In developing countries the best way forward may be via partnerships between public and private sectors, and/or via community operation and management.

25. Financing shelter and human settlements: an adequate supply of affordable credit for land, housing, building materials and business development is absolutely crucial to the process of strengthening demand. But this has proved very difficult to achieve in many cities, because all credit systems have to reconcile three potentially conflicting objectives: affordability to borrowers, viability to lenders, and resource mobilization for the sector as a whole. In practice, affordable systems may not be viable, at least on a large scale (carrying subsidies which are too high); while viable systems may not be accessible to the urban poor, especially to women.

26. General priorities in this area include allowing long-term mortgage finance to compete fairly with other financial institutions, diversifying lending instruments to improve access for the poor, and especially for women, allowing new forms of collateral, extending the use of community mortgage institutions as a link between low-income groups and financial institutions, allowing governments to provide conditional guarantees to encourage private-sector lenders, and liberalizing access among local authorities to national and international capital markets, within a framework of strong accountability for performance. Governments should also encourage links between formal and informal financial institutions (to leverage additional resources and thus promote both scale and sustainability), and reward high-performing local authorities with additional transfers of funds or windows for borrowing. Given the scarcity of resources available to governments in developing countries it is vital that any attempts to assist the poorest people in the city through subsidies should be carefully targeted.

27. In addition to the above, increasing the supply of affordable housing requires action in four other areas:

- stimulating the construction sector and the supply of affordable building materials;

- reforming building and planning standards, norms and regulations;

- promoting rental housing; and

- guaranteeing secure claims to property.

28. In the pursuit of sustainable urban development, both supply and demand have to be managed in ways which support the efficient use of scarce natural resources (especially land), promote energy conservation and recycling, and penalize transgressors. In most cities in the South, this is extremely difficult to plan (because resources for planned intervention are so scarce and urb growth rates are high), but ironically even without much planning such cities are often more sustainable ecologically than their Northern counterparts because levels of resource use and waste generation are low and so much waste is re-used or recycled. Environmental impact assessment and other appraisal techniques can be helpful in incorporating sustainability considerations into decisions about human settlements policy and practice, and local Agenda 21 plans can provide a useful framework within which policy priorities can be debated and established.

Strategic Issues

29. Although there are still some who cling to simplistic views of "urban bias" or "cities triumphant", most people now accept that in the abstract cities are neither "good" nor "bad". The key task is to preserve, harness and build on the good things about cities (their productivity and dy nism), while counteracting those things that are not good (environmental degradation and inadequate shelte ndoubtedly, cities have the potential to combine safe and healthy living conditions with culturally rich and enjoyable lifestyles and with low energy consumption, resource use and waste, but this can come true only if cities become genuinely successful in social as well as economic terms, for all their residents.

30. The Habitat reviews are unanimous in singling out constraints on supply - specifically of land and finance - as the main obstacle to reaching this goal. The failure of markets and governments to deliver enough land and finance at the right price and time, and in the right places, is the most important factor in holding back progress in urban shelter. This requires strong government intervention; it cannot be rectified by markets alone, since markets care little for considerations of equity and sustainability. This is a specific example of a general problem: balancing intervention and liberalization in shelter and human settlements.

31. All societies which aim at being both equitable and efficient must strike and maintain a balance between liberalization of markets (to promote efficiency) and market intervention (to promote equity). This dilemma is faced all the time in shelter and human settlements. If the balance between public responsibilities and private freedoms shifts too far towards the latter, those with less "market power" - poor people - may be penalized. Equally, if the balance shifts too far in the opposite direction, the vitality and creativity of people and businesses may be stifled. In highly unequal societies with imperfect markets and a weak state apparatus, there is just as much likelihood of sub-standard housing, exploitative rents, insecure jobs and polluted water as of the thriving markets in land, housing and employment that theory predicts.

32. An effective system of urban governance and strong, representative municipal institutions are essential if the right balance between "freedom to build" and "duty to protect" is to be maintained. Government is not just one of many possible providers of services in the city; it is the arena where all decisions over provision must ultimately take place. Therefore representative structures for decision-making - for governance - are essential. Successful cities demonstrate the positive power of government action when it is harnessed to private initiative, mediated through structures which allow everyone a voice. Democratic, accountable and transparent decision-making fosters an inclusive political culture, just as making markets work to the benefit of poor as well as rich people helps to combat economic exclusion. Political, economic and social inclusion are the preconditions for sustainable human settlements development. The quality of urban governance determines the extent to which a city exploits the advantages, and avoids the disadvantages, of being a city.

33. Innovations in urban management, governance and partnership are of little use if they are unsustainable or insignificant in scale. Yet a consistent finding of the Habitat reviews is that successes in shelter and human settlements tend to be, and to remain, vulnerable to both these problems. One way to cope with this difficulty is to focus more on linkages (between small-scale successes and larger-scale institutions and structures), capacities (required to underpin success on a large scale), and practices (rather than projects and programmes). These approaches can help to obviate the problems associated with organizational or programme growth by placing the emphasis on scaling up the more fundamental factors which underpin success.

34. Sustainability in the project or programme sense is one thing; sustainable development is quite another, and more challenging still. The task ahead is clear: sustainable human settlements must ensure steady economic development,

reliable employment opportunities and equitable social progress with the least possible harm to the environment. But how to accomplish this task is not clear. Successful cities are able to meet the different goals of their inhabitants without passing on significant costs to other people, to future generations, or to the surrounding region. This means avoiding exclusion by ensuring secure income-earning opportunities for all; good governance in order to check unsustainable practices and allow everyone a voice in decision-making; and systems of management which take account of the impact of city-based production and consumption outside urban boundaries.

35. Increasing the scale of successful innovations is of little use if they only benefit some groups in the city, or benefit one group at another's expense. Although considerable progress has been made in promoting awareness of sex specific needs in shelter and human settlements, there is little evidence that this has much of an impact on policy or programmes, nor that women's strategic needs and interests are being addressed. More forceful, targeted action is required, backed up by concrete incentives and penalti at all levels of bureaucracies, over the long term.

36. The widespread failure to convert awareness of men's and women's differing needs and training for its development into concrete progress is a particular illustration of a more general problem which has bedeviled progress in shelter and human settlements over many years: the huge gap which exists between rhetoric and reality, principle and practice. Clearly, this is one of the most important strategic issues of all. It is not really a problem of knowledge: with some exceptions we already know what needs to be done, and how it should be done, at least in principle. The real problem is that knowledge is not converted into action. The policy framework embodied in the Global Shelter Strategy to the Year 2000 is accepted by all, again with some differences of emphasis, but policies are not translated into practice, especially in the most difficult areas of all, such as land and finance. Closing these gaps requires stronger and more continuous pressure for reform and results, exerted both from the bottom upwards and from the top downwards in new strategic alliances, to act as a counterweight to the power of vested interests and bureaucratic inertia. Good urban governance, political support from the centre, and support from international donor agencies are all important. Successful human settlements development also requires the institutionalization of a culture of learning, prioritizing the sharing of information and experience at all levels, and adequate resourcing and capacity-building for action-research.

Policy for the future

37. There are no panaceas in sustainable human settlements development, only a continuing process of action and learning to make more of the inherent strengths of cities, for more of their citizens. However, there do seem to be some common principles which underlie success in different contexts, and some clear priorities for action at the local, national and international levels.

38. At the local (neighbourhood or community) level, people, enterprise and organizations must have more access to resources, greater participation in decision-making, and more responsibility for policy and programme design and implementation. Neighbourhoods are the place where all solutions begin and end, and the most effective unit for operationalizing the principles of sustainable development. Top priority at the local level should go to building capacities, promoting accountable local organizations, and fostering linkages with wider systems and structures.

39. At the national level, governments must tackle supply constraints in land and finance and guide the process of urban development using infrastructure and public transport. This must be balanced by enabling markets to match demand with supply. The challenge to urban managers is to find and maintain the right balance between intervention and liberalization. What matters most is not the transfer of particular models, but the strengthening of resource flows, skills, attitudes and capacities to make, implement and monitor policy and practice, and the creation of legal, regulatory and fiscal frameworks within which these resources and capacities can be used to fullest effect.

II. GLOBAL TRENDS AND THEIR LINKS TO HUMAN SETTLEMENTS

40. One of the mistakes of earlier generations in urban planning was a tendency to divorce human settlements and shelter from their wider context, which rendered policy and practice less effective. Towns, cities and urban systems are deeply embedded in processes of economic, social, cultural and political change which both influence human settlements development and are in turn affected by the way cities grow and change. In the same way, human settlements policies are components of wider thinking about development. Past, present and future patterns of urbanization cannot be understood outside of this context.

A. *General trends*

41. Over the past 50 years, and particularly since the end of the Cold War, the world has witnessed profound economic and political changes, as well as an underlying continuity in patterns of growth and inequality. These are the

changes that lie behind the rise of urbanization as a global phenomenon in the final quarter of the twentieth century. Some of these changes are the culmination of economic and technological forces with their roots in the industrial revolution and the rise of capitalism. They include:

• The increasing economic advantages of cities. In all countries, cities generate the lion's share of national wealth (60 to 80 per cent of GDP); for example, Lima generates over 40 per cent of the national income of Peru from only 25 per cent of the country's population, [1] and around 80 per cent of GNP growth in developing countries as a whole will occur in cities during the 1990s. [2] This is partly because cities are more productive than rural areas: a study carried out by the University of Paris found that cities in industrialized countries were on average 35 per cent more productive than the rest of the country. [3] Cities grow because of the economies of scale they provide, the concentrated infrastructure and resources they offer, and the desire of businesses to cluster together, even in an age of global communications. This is especially true of world financial and service centres like London, New York and Tokyo. Global trends such as economic liberalization and market reform have tended to promote urbanization and the advantages of cities still further; for example, urban areas in India and China (with around one third of the world's urban population between them) have both grown more rapidly since their economies were liberalized. [4] Combined with long-term gains in rural productivity, the economic advantages of cities under market capitalism have led to the largest migration in human history over the last two centuries;

• Globalization of the economy, with decisions made increasingly by powerful supranational corporations and subject to huge flows of private capital around the world. It is estimated that total World Bank lending in 1993 was equivalent to the amount transferred by international capital markets in the space of a mere nine minutes! [5] The capitalization of world stock markets increased from US$ 900 billion in 1974 to US$ 15 trillion in 1994 [6] and the turnover of the world's five largest corporations is now greater than the combined GDP of all countries in the Middle East and North Africa, and double that of all countries in sub-Saharan Africa put together. [7] Cities are the headquarters for the corporations and capital markets that increasingly drive the global economy;

• The rise of service industries over agriculture and traditional manufacturing, spurred on by a revolution in information technology and global communications which links together the citadels of high finance and the urban élites of North and South. Between 1965 and 1990-1992, the proportion of the labour force in agriculture fell from 72 per cent to 58 per cent even for developing countries, while the share of services rose from 16.7 per cent to 27 per cent. In countries like Japan services now supply over one half of total GDP. [8] This is part of the reason why economic growth may lead to less-than-expected increases in employment but, in general, cities thrive on increasing flows of information, finance, services and labour; and

• Technological innovation, especially in motorised transport, construction techniques and materials, communications and the elevator, have underpinned the expansion of the modern city and helped to push urban growth outwards and upwards the world over. More effective health care, education and family planning systems have primed the demographic transition and natural increase in cities, trends which are described in more detail below.

42. These changes are the result of processes stretching back over hundreds of years, but there are others which have a more recent origin. The fall of the Berlin Wall and the collapse of the Eastern bloc in the 1980s is seen by many as confirmation that there is no alternative to markets and market-oriented policies as the prime instrument of economic growth. Such policies now dominate economics generally and development policy in particular. On the political side too, the roles and responsibilities of public and private actors have been redefined. There are few advocates nowadays of big government or centralized State planning; a wave of democratization is sweeping the globe as people struggle to redefine their sense of national identity and systems of governance; the locus of political power is slowly shifting from central administrations to local authorities; and non-governmental organizations (NGOs), community-based organizations (CBOs) and people's movements play an increasing role in economic and political life.

43. The changes have not been without their costs, especially in parts of the world where political struggles have been accompanied by violent conflict: 79 out of 82 conflicts recorded after 1990 have been civil conflicts. [9] However, the increasing ability of millions of people around the world to influence the decisions which affect them is undoubtedly a cause for celebration and is of huge significance for the future of urban governance and the city itself.

44. Overall, globalization produces common problems and opportunities but widely-varying patterns and outcomes, demanding different responses in each case.

• On the negative side, inequality, homelessness, urban congestion, and environmental degradation are increasing while national and municipal Governments seem less and less able to manage them. This is partly the result of the globalizing

forces outlined above, partly a consequence of high levels of public debt in both industrialized and developing countries, and partly an outcome of the failure of conventional approaches to planning. The sheer speed and diversity of the processes of change affecting cities makes new management tools and approaches essential.

• On the positive side, urban productivity and economic activity are increasing, and so are health standards and access to water and sanitation. Democratization creates more space for the non-governmental actors, public-private partnerships, and decentralized, participatory planning and management which are key features of a successful urban future. But success and failure are as much a matter of viewpoint as of substance; the reality of life for millions of poor people in cities may have changed little as a result of global trends, however much official responses may have evolved.

B. *Macroeconomic trends and urban poverty*

1. *Growth, debt, trade and adjustment*

45. Macroeconomic performance sets the overall resource framework for human settlements development in all countries, but for many the last 15 years in particular have been extremely difficult. Of course the pattern varies greatly: real GDP per capita has grown considerably the world over since 1960, and social indicators such as life expectancy, infant mortality, adult literacy and access to safe water, have correspondingly improved (at national aggregate level). However, these figures disguise significant variations within and between countries in terms of economic growth and its social impact. Only the East Asian tiger economies, China and some countries in Latin America have grown consistently since 1970; for sub-Saharan Africa in particular, the 1980s have come to be known as the "lost decade". Between 1983 and 1985 real per capita GDP fell by 7.6 per cent in the poorest countries. [10] The terms of trade for non-oil primary products on which many developing countries depend have declined, and import prices (including construction materials) have increased. Levels of indebtedness and debt-servicing remain very high, reducing the resources available for development expenditure. For example, the debt-service ratio in Argentina rose from 22 per cent (of export revenues) in 1970 to 46 per cent in 1993, and from 3 per cent to 144 per cent in Uganda. [11] Levels of official development assistance (ODA) have remained static, and most recently have begun to decline in real terms.

2. *Trends in urban poverty and labour markets*

46. Variations in social indicators between and within countries of similar per capita income can be explained by the distribution of economic growth and investment in human development and basic services. Economic growth must alleviate poverty if it is to lead to improvements in quality of life for the broad majority. The World Bank estimates that there are around 330 million people living in absolute poverty in the cities of the developing world, close to 600 million in life-threatening conditions, and 800 million in sub-standard housing. [12] All these figures are subject to a fair margin of error (by as much as 15 per cent according to one estimate), [13] but the fact that the scale of urban poverty is unacceptable is not at issue.

47. In most countries, the proportion of the population below the poverty line is still higher in rural than urban areas, but in general urban poverty has increased more rapidly than rural poverty in sub-Saharan Africa and Latin America (though not in East Asia). Between 1970 and 1985, the proportion of people below the poverty line rose by 73 per cent in developing-country cities as compared with 11 per cent in rural areas. [14] Poor people in urban areas tend to be more vulnerable to poverty because of higher living costs, a greater reliance on insecure cash incomes, weaker family support systems, and greater exposure to environmental hazards and faecal-oral contamination. Although the informal sector has performed much more effectively than many early critics forecast, new jobs in many cities are very insecure, partly because of the widespread erosion of labour rights under economic liberalization. World Bank research has shown that the short-term costs of economic adjustment have been particularly severe for the urban poor over the last 10 years, as government jobs have been retrenched, real incomes have fallen, food and energy prices have risen, and housing subsidies abolished. [15]

48. Poor people have coped with these problems by increasing the number of family members in employment, reducing non-food expenditures (and trading down in the housing market), reverse migration, and sharing with other members of the household. The impact of these changes has been especially severe for women, who have seen the demands on their time and energy rise significantly on top of their existing high workloads and levels of discrimination in the labour and housing markets. The high proportion of women in international labour migration is also a factor here.

3. *Inequality, polarization and exclusion*

49. A common conclusion of the Habitat Reviews is that economic inequality and social exclusion are increasing within and between countries and cities, North and South. This is partly a result (at least in the short term) of economic liberalization, since markets discriminate against those with less income and fewer assets. Although most developing economies are growing, the gap between the richest and poorest nations, and between rich and poor in their cities, is widening. The share of global output of the poorest 50 per cent of the world's population fell from 7.3 per cent in 1960 to 6.3 per cent in 1986. In the same period, the share of the richest 20 per cent rose from 71.3 per cent to 74.1 per cent. [16] Rising inequality may be particularly acute in the countries with economies in transition, where the pace of economic change over the past six years has been traumatic.

50. Data for inequality and exclusion within cities is hard to come by, though every report speaks of this trend and the social consequences that may stem from it, pointing to the rising social costs of unequal growth on those who are particularly vulnerable as a result of age, gender or other characteristics. Inequality is seen most visibly in the differences which exist between the shelter conditions of high- and low-income groups in cities, which are detailed below.

4. *The social costs of the divided city*

51. These warnings, crystallized most recently in the World Conference on Social Development in Copenhagen, are at least in part a response to the increased visibility of inequality in cities and to heightened perceptions of the reality of exclusion and the risks of insecurity and instability in an age of global communications and media accessibility. The sight of the rich barricading themselves behind high walls in the exclusive suburbs of Los Angeles or Bogotá is as much a sign of exclusion as the growing number of homeless young people on the streets of London or Bombay. In this as in much else, the élites and the excluded, in cities in both industrialized and developing countries have as much in common with each other as with others in the same city. There is some evidence that urban crime, violence and conflict are also increasing (especially against women), fuelled by high rates of unemployment and reinforced in industrialized countries by social and ethnic segregation; in the industrialized countries of OECD, the number of homicides per 100,000 inhabitants rose from 3.8 in 1987 to 5 in 1990 and, in Eastern Europe from 4.9 to 6.9. [17]

C. *Trends in urbanization and urban shelter*

1. *Urbanization and urban growth*

52. Between 1990 and the year 2030, it is predicted that world population will rise by 3.7 billion; 90 per cent of that increase will take place in developing countries, and 90 per cent of that figure will occur in cities. [18] Patterns of urbanization (the proportion of a country's population living in settlements defined as "urban") mirror trends in economic growth and inequality. Urban growth (the rate at which the urban population is increasing) is rarely "uncontrolled": it is a predictable response to trends in economic development and migration - rising productivity in agriculture, combined with the economic advantages of cities during industrialization. By the year 2000, the majority of the world's population will be living in cities for the first time ever (some 4.6 billion people), up from 30 per cent in 1950 and 43 per cent in 1990. [19] Table 1 shows how the proportion of total population living in urban areas has risen steadily over time, first in Europe and North America, and most recently in Africa and South Asia. As urbanization increases, the rate of urban growth tends to decline, and natural increase overtakes migration as the motor of growth. However, fertility rates are still lower in large cities than in the countryside. Today, urban populations are growing fastest of all in Africa, though even cities in the industrialized world are now beginning to grow again. [20]

53. In 1950, there was only one megacity in the world (with over 10 million inhabitants); by 1980 there were 12 and in the year 2000 there are likely to be at least 25. [21] During the 1990s, the number of cities with over 1 million inhabitants will grow from 187 to 279. [22] Although large cities will continue to grow in absolute terms (for example, half-a-million people per year in Mexico City), their rate of growth is declining as in-migration falls, reverse migration increases as a result of economic dislocation, and urban fertility rates decline. [23] Urbanization will not continue indefinitely, though the rise of a small number of cities (such as Singapore) to a dominant position in the international economy looks set to remain.

54. However, most urban citizens do not live in such large cities - for example half the urban population of Colombia and one third in Mexico live in small and medium-sized towns. [24] Rather than focusing on individual cities, it is more helpful to look at how systems of urban settlements grow together over time (to maximize their economic and communications advantages). This reduces the differences between the countryside and the city and places the emphasis in human settlements planning and management on the city-region and its linkages with the surrounding area. This poses

major challenges for systems of governance and management, confined traditionally within the boundaries of the city itself but now having to take account of much wider changes and constituencies far distant from city hall.

Table 1. **Levels of urbanization**

(Percentage of total population living in urban areas) [25]

Region	*1950*	*1970*	*1990*	*2000 (estimate)*
Africa	14.5	22.9	33.9	40.7
Latin America and Caribbean	41.5	57.3	71.5	76.4
North America	63.9	73.8	75.2	77.3
Asia	16.4	22.9	34.4	42.7
Europe	56.5	66.7	73.4	76.7
Former USSR	39.3	56.7	65.8	67.5
Oceania	61.3	70.7	70.6	71.3
Developing world	17.0	24.7	37.1	45.1
Rest of the world	53.8	66.6	72.6	74.9

2. *Trends in urban shelter*

55. However, the response of cities to these trends varies greatly, with the result that shelter conditions differ between cities even of similar per capita incomes. The common perception is that urban growth in developing countries is artificial, lacking the economic foundations that underpinned urbanization in the North and characterized by huge un- and underemployment, slums, environmental degradation and crime. It is certainly true that the 1980s in particular were years of "cities in crisis" in many regions, with significant increases in urban poverty and a deterioration in shelter options, services and urban management. For example, expenditure on services and infrastructure in Dar es Salaam fell by 8.5 per cent between 1978/79 and 1986/87. [26] Faced by the failure of formal (legal) markets to deliver enough land and housing, informal settlements have expanded apace, accounting for 69 per cent of all urban housing in sub-Saharan Africa by 1994, 51 per cent in South Asia, 27 per cent in Latin America, and 12 per cent in East Asia. [27] Approximately 250 million city-dwellers lack access to safe drinking water and 400 million to adequate sanitation. [28]

56. However, these aggregate figures disguise substantial variations between and within cities and social groups. [29] When cities get things right in policy terms (and when the external - macroeconomic - climate is favourable), access to infrastructure and services can improve significantly even when incomes are low; for example, Bogotá, Dar es Salaam, São Paulo, Amman and Harare have all achieved coverage of 90 per cent or more. [30] Solid waste management is a more difficult area (despite its potential for job-creation among the poor), consuming 20-40 per cent of municipal revenues in many cities in the South and still leaving most waste uncollected. [31]

57. Estimates of homelessness at global level vary between 100 million and over 1 billion, depending on definitions [32] (see box 1). In developing countries anyone with inadequate shelter can be regarded as homeless, but even in industrialized countries this is a growing problem. In the European Union, for example, there are estimated to be over 2.5 million homeless people, and rising, as a result of the declining position of young people in labour markets and decreasing social security entitlements. [33]

Box 1. Global shelter shortages [34]

- Of the world's urban population, 40 per cent to 50 per cent live in slums.
- In urban and rural settlements combined, there are:

  At least 100 million homeless people;

  1.5 billion people living in houses in very poor condition;

  2 to 3 billion people living in inadequate shelter; and

  Approximately 2 billion people living in adequate shelter.

58. Table 2 presents some key indicators of shelter conditions according to the GNP of groups of countries, and confirms the conclusion that shelter quality, density, and servicing (though not affordability) increases with national income. However, these figures disguise enormous variations between and within cities of similar income characteristics according to gender, housing tenure, access to services, and affordability. In some cities (such as Karachi, Colombo and Seoul), land and house prices and rents have increased more quickly than incomes, but elsewhere (Nairobi, Mexico City, Bogotá) housing options do not seem to have declined, either because incomes have kept pace with prices, because poor people have adapted to declining conditions in the housing market (though often at considerable cost to themselves, especially to women), and/or because local Governments have adopted particularly successful policies.

Table 2. Basic conditions in urban shelter [35]

Region	*Floor area per person (square meters)*	*Percentage of dwellings with water to plot*	*Percentage of owner-occupied dwellings*	*Percentage of unauthorized housing stock*	*House price to income ratio*	*Rent as percentage of income*
Low-income countries	6.1	56	33	64	4.8	15
Low-middle-income countries	8.8	74	52	36	4.2	16
Middle-income countries	15.1	94	59	20	5.0	21
Middle-high-income countries	22.0	99	55	3	4.1	11
High-income countries	35.0	100	51	0	4.4	18

59. Patterns of urban shelter are more complex than suggested by a simple division of cities between rich and poor countries. Once again, good policy can make a difference. However, there is certainly no evidence that the shelter conditions of the poorest groups in the cities of developing countries have improved significantly over the past 15 years. [36]

3. *The urban environment*

60. Trends in urban environmental degradation are straightforward, with an almost-universal increase in pollution and energy consumption as a result of urban, industrial growth. This is true both for cities themselves and for the impact of urban growth on environmental conditions at the national and global levels (the "ecological footprint" of cities). For example, one third of Mexico city's water supply now comes from over 200 kilometres away in Tecolutla. [37] Trends in crowding and access to water and sanitation have been touched on briefly above, and are particularly serious in developing countries. But all countries face declining air quality as a result of traffic congestion, the use of fossil fuels for domestic use, and industrial pollution (see box 2). Worldwide, carbon emissions have increased from 4.8 billion tons in 1971 to 6

billion in 1988, and per capita energy consumption rose from 1,195 kg to 1,421 kg of petroleum equivalents between 1970 and 1993. [38] Transportation already accounts for half of global consumption of fossil fuels and traffic congestion has reduced average inner-city travel speeds to as little as 8 km/hour in Shanghai, Seoul and Bangkok. [39] As cities expand, they eat up more and more land on the periphery - often the rich agricultural lands that were the very reason for the city being in that locality in the first place - and, lengthening journey-to-work times to one-and-a-half hours or more in cities such as Bogotá and Rio de Janeiro. [40]

Box 2. **Examples of urban pollution** [41]

- Suspended particulates in P gkok are 18 times higher than WHO guidelines and could be responsible for up to 50 million restricted activity days and 1,400 deaths every year.

- In the Kelang Valley in Malaysia (which includes Kuala Lumpur), emissions are 29 times the goal set by the Malaysian Environmental Standards Committee.

- Road traffic rose by 70 per cent in the European Union between 1970 and 1985, and is expected to increase by a further 50 per cent by the year 2000; the number of cars per 1000 inhabitants increased from 500 in 1970 to 550 in 1990 in the United States of America; from 5 to 15 in Asia; and from 5 to 10 in Africa.

61. Urban areas account for by far the largest share of global environmental degradation because they are where most industrial activity, mass transport and energy-intensive consumption occur. This is particularly severe for the urban poor, since (because they have few alternatives) they live closer to industrial waste, polluted rivers, and eroded slopes, and are more vulnerable to disease-causing agents (such as TB and diphtheria) released into water, soil and air. The World Conference on Environment and Development in Rio (UNCED) recognized urban areas as the central focus for environmental concerns.

SUMMARY

- We live in an urbanizing world, and urban growth is set to continue in most regions, particularly in Africa and Asia, driven by common economic imperatives and the economic advantages of cities. Policies which try to reverse this process by controlling migration always fail.

- However, the response of cities to global economic and political trends varies considerably, so that shelter conditions, urban poverty and environmental degradation differ between cities of similar per capita incomes as well as between cities in rich and poor countries - policy can make the difference. But there is no evidence that the situation of the poorest people in cities (North or South) has improved significantly over the past 15 years; and there are clear signs that environmental degradation continues to increase at an unsustainable rate.

- Economic and social inequality, with its attendant dangers of exclusion, violence and instability, is on the rise in most cities, North and South. Added to this, the dramatic decline in economic growth rates in sub-Saharan Africa during the 1980s has starved the world's poorest countries of the resources required for efficient and equitable urban growth.

III. HUMAN SETTLEMENTS PLANNING AND MANAGEMENT

A. *General trends*

62. In general terms, the evolution of human settlements planning and management over the last 30 years mirrors wider trends in development thinking, and reflects many of the themes already identified in part II - a greater reliance on markets and private initiative in economic terms, and on democratization, decentralization, civic action and popular participation in political terms. Box 3 provides a brief summary of major shifts in thinking about human settlements, at least four of which are worthy of particular note: [42]

- Until fairly recently it was common to hear accusations that economic growth, development and investment were biased towards urban areas. Now, it is recognized that the real question is not about "urban" versus "rural" priorities, but about investment in poverty-alleviating growth; each country will have a different pattern of rural-urban population distribution to suit this objective.

- The 1960s and 1970s favoured heavy intervention by central authorities in development planning, while the 1980s saw a dramatic shift away from this approach in something of a free market revolution. Today, the wheel has taken another turn as policy makers search for a new synthesis of public sector, private sector, and NGOs/CBOs which recognizes the limitations of both centralized State planning and neo-liberal economics (its focus on the short-term and its underplaying of political factors and interest group manipulation of markets).

- Conventional wisdom has moved from blueprint (or top-down) to process (or bottom-up) approaches to planning and management, which focus on learning-by-doing and which prioritize greater participation by a broader range of social groups in decision-making and the processes of governance. Effective governance is now acknowledged to be the central issue in development planning and management.

- For many years human settlements were divorced from their wider context so that links with economic and social policy, and with sustainable development concerns, were very weak. Planning and management had a sectoral focus with little attention being paid to local institutional capacities. In contrast, holistic approaches to sustainable urban development pay explicit attention to the links between different aspects of human settlements and ensure that investment in capacity-building and institutional development are prioritized.

63. Of course, there are many elements of continuity as well as change between Habitat I and Habitat II; the central themes of the Vancouver Declaration (equity, social justice and solidarity) are not very far away from the principles contained in the Habitat Agenda, which are listed in box 4. While concepts and language may change there are common links between all the United Nations conferences of the last 10 years. All share a commitment to the principles of equity, sustainability, poverty-reduction, and human rights which must be the hallmark of any policy toward human settlements.

64. The four key areas - sustainable development, urban governance, management, and links to economic and social policy, will now be considered in more detail.

Box 3. **Key shifts in human settlements planning and management**

From:	*To:*
blueprint	process
urban bias	urban productivity
shelter	human settlements
self-help	complex construction systems
ownership/squatting	renting/sharing
planned intervention	enabling/facilitating
eradication	encouragement
public action	market transactions
public/private antagonism	public-private partnership
gender-blind	gender-aware
sectoral	holistic
top-down	participatory
State production	support to others
direct	indirect
economistic	social/cultural/political
national policy	decentralization
NGOs marginal	NGOs/civic engagement critical
training	capacity-building/management

Box 4: The goals and principles of the Habitat II Agenda

- Equality
- Eradication of poverty
- Sustainable development
- Liveability
- Family
- Civic engagement and government responsibility
- Partnerships
- Solidarity
- International cooperation and coordination.

1. *Implementing Agenda 21: urban environmental management*

65. Sustainability concerns have risen rapidly on the urban agenda over the last decade, particularly since UNCED and the publication of Agenda 21. Because cities are the site of most industrial activity, transport and concentrations of people, they are central to the achievement of sustainable development. Yet because of the complex and dynamic nature

of the urban environment, high rates of urban growth in many countries, and the strength of the economic forces underlying industrial pollution, high energy consumption and mass automobile transport, environmental management poses one of the most difficult challenges in the modern city. In implementing Agenda 21 urban managers face at least four challenges:

(*a*) Implementing the "brown agenda" (improving health, water and sanitation, solid waste management etc.);

(*b*) Reducing physical hazards and accidents linked to congestion and overcrowding (and integrating measures to prevent and/or mitigate natural and human-made disasters);

(*c*) Achieving an ecologically-sustainable relationship with the surrounding city-region (e.g. conserving agricultural land and distant water resources);

(*d*) Ensuring that the city's ecological footprint - its impact on global sustainability - is positive (e.g. by reducing ambient air pollution, controlling fossil-fuel consumption, and motor vehicle and industrial emissions).

66. For most cities in developing countries, the first of these goals remains the priority, though this does not mean that the others are unimportant. Non-renewable resource use is much lower than in industrialized countries, more food is grown locally rather than imported (between 50 and 66 per cent in Nairobi and Lusaka), [43] and waste is used creatively - for example providing jobs for an estimated 30,000 to 50,000 people in Bogotá and Cairo. [44]

67. In the industrialized countries, relations with regional and global sustainability tend to be more important because levels of urban pollution are higher and the cities' ecological footprint is deeper. There is no shortage of small-scale innovations in these areas (see for example box 5), but few Governments (North or South) have developed a national framework to guide decisions and penalize transgressors, because this would require major changes in ownership rights over natural resources, clearer and enforced incentives and penalties, new personal consumption patterns, and coordination across administrative urban-rural boundaries. [45] Measures directed specifically at shelter can help - for example, promoting energy-saving building materials and construction techniques, sources of fuel, and public transport rather than the 500 private cars that are added to the already-congested streets of Bangkok every day. [46] But, more broadly, environmental sustainability requires the alleviation of poverty if it is going to be meaningful.
Although it is true that "the poorer you are, the greater the threat" [47] from environmental hazards, polluted water, and dangerous jobs, poor people cannot be expected to change their lifestyles and consumption patterns unless they are guaranteed a basic level of economic security and the satisfaction of their basic needs. [48] It also implies political sustainability (legitimate, representative government), social sustainability (peace, equity and inclusion), and organizational sustainability (well-funded and effective local institutions). The challenge for cities, therefore, is to achieve a better balance between the potentially-conflicting goals of raising productivity and reducing poverty, on the one hand, and protecting the environment, [49] on the other. This balance will not be achieved without more representative systems of urban governance.

Box 5. **Pollution control in São Paulo** [50]

Over the past 20 years, São Paulo has developed a system of pollution controls covering water supply, sewerage and industry, which is seen as a model for other cities. The system is overseen by the State Environmental Sanitation Technology Company (CETESB) and according to a recent independent evaluation it works because it:

- has developed an appropriate legal and regulatory framework with effective monitoring of compliance;
- pays attention to institutional development on a continuous basis and has developed a highly competent and motivated staff team;
- has made good use of both positive incentives (a credit line for pollution control) and negative measures (publicity against polluters);
- has received strong political support over the long-term and secure funding from external donors such as the World Bank.

2. *Good urban governance and the role of participatory planning*

68. Participation by traditionally-marginalized social groups (poor people, women, ethnic minorities), by NGOs and CBOs, and by businesses, universities and the media, is essential if human settlements development is to be efficient, equitable and sustainable, both at the neighbourhood level and at the level of the city. It is often said that poor people make the city work (especially in developing countries), but can the city be made to work for the poor? If this is to happen, their direct participation in planning and decision-making is vital; participation promotes effectiveness by making policy sensitive to real needs, increases sustainability by giving people a stake in the system, and makes urban development more efficient by harnessing the resources and talents of all groups in the city. The experience of participatory planning in Bogotá (see box 6) is one demonstration of such benefits. Participatory techniques can transform relations between officials and residents (as in the Slum Upgrading Programme in India and the Sri Lanka Million Houses Programme), [51] though to be fully effective, they must be linked to higher-level planning structures so that people can have a voice in key decisions at all levels.

Box 6. **Participatory planning in Bogotá** [52]

Each of the 20 municipalities in the Bogotá Metropolitan Area has produced its own environmental agenda in partnership with NGOs, academics and others (greatly facilitated by wider constitutional reform and decentralization in Colombia in 1991). Each municipal agency also contributes 1.5 per cent of its annual budget for environmental action within their local Agenda 21. A new ministry of the environment has been created to oversee planning, with links to a network of local environmental committees created in 1993 which help to ensure that grass-roots views are represented in higher-level policy discussions.

A similar process operates at the level of municipal services so that users have a voice in the running of water and other utilities. As a result, both coverage and cost-recovery are high (an unusual combination) and services are well-maintained.

69. This means developing a proper system of representative urban governance, defined as the set of systems, structures and norms by which all decisions about the future of the city are made. Strong accountability mechanisms are essential for good governance, as is transparency among officials. The computer terminal in Curitiba City Hall (Brazil) which prints out the planning regulations for every plot in the city on demand is a very public commitment to transparent government. [53] More open government makes eviction more difficult and makes officials more likely to regularize tenure in informal settlements and invest in upgrading. As Jeb Brugmann, the Executive Secretary of ICLEI, has said, "the top-down imperatives of economic expansion and the bottom-up imperatives of communities and ecosystems meet in city hall." [54]

70. The principle of subsidiarity is a key element in good urban governance - making sure decisions about human settlements are taken at the most appropriate level and that as many decisions as practical devolve to the lowest level of the system. The importance of genuine decentralization is considered in more detail in the next section (on urban management). A healthy environment for NGO and CBO activity is also vital (see box 7), so that intermediary and representative organizations can ensure that the voices of poor people, women and other traditionally-marginalized groups are heard loud and clear in city hall.

71. Governance is a critical issue which is explored further in part V, but it is worth repeating the two principles on which effective governance is based. Make sure that:

(*a*) All decision-making processes are democratic, transparent and accountable; and

(*b*) The costs and benefits of decisions are borne equally. [55]

Box 7. **NGO/CBO roles in human settlements** [56]

Non-governmental organizations (NGOs) are registered intermediary bodies, but they are not usually membership organizations; community-based organizations (CBOs) are fundamentally different because they represent, and are accountable to, their members or constituents. This means that CBOs can do things that NGOs cannot (such as play a formal role in urban governance), whereas NGOs are better at providing advice, funding, support and services. Both NGOs and CBOs have a good track record in:

- Organization (of particular groups or communities to fight for their rights);
- Representation (in decision-making, city governance and debates over human settlements policy and practice);
- Mediation (between people and government departments, markets, banks and other institutions);
- Facilitation (of access to particular advice, technologies and contacts);
- Experimentation (via demonstration projects and risk-taking); and,
- Provision (of services, but not as a permanent substitute for government).

There are dangers in using NGOs and CBOs merely to implement social or welfare services in the city (i.e. in only the last of the roles listed above); evidence shows that this can distort their performance, legitimacy and accountability, while failing to utilize their true potential.

72. Learning and exchanging experiences among cities on how to operationalize these principles is an important priority for the future. There are likely to be many different paths to success.

3. *The challenges of urban management*

73. When laid out in training manuals or consultancy reports, the requirements of effective urban management seem straightforward, yet in reality city managers face an immensely difficult and complex task. Not only must they deal efficiently with technical tasks but they must:

(*a*) Plan and implement policy in the context of diversity, uncertainty, and discontinuities in personnel and political leadership;

(*b*) Manage imperfect land and housing markets;

(*c*) Find and maintain the right balance between intervention and liberalization;

(*d*) Forge new partnerships with NGOs and businesses;

(*e*) Mediate between conflicting interests;

(*f*) Deal with pressures from central government to capture their revenue base and maintain centralized

control over decision-making.

Table 3. **Per capita government expenditures in cities on water supply, sanitation, drainage, garbage-collection, roads and electricity** [57]

(*In United States dollars*)

Low-income countries	15.0	Sub-Saharan Africa	16.6
Low-middle-income countries	31.4	South Asia	15.0
Middle-income countries	40.1	East Asia	72.5
Middle-high-income countries	304.6	Latin America and Caribbean	48.4
High-income countries	813.5	Europe and North America	656.0

74. Urban revenues are usually critical to national budgets (for example contributing almost one third of total revenues in South Korea), [58] which is why most central Governments are reluctant to decentralize real authority to municipal level. Added to these demands are the absolute resource shortages facing managers in most developing countries. As table 4 makes clear, there are huge differences between the resources available to local Governments in high- and low-income countries; whereas a manager in North American cities will be able to count on an average of US$ 2,000 per person per year for expenditure on services and infrastructure, her counterpart in Dhaka or Dar es Salaam must make do with US$ 2. [59] There is little that can be done with such minimal resources, however efficient and effective managers are. This is a useful reminder for those who see improved management as a panacea for human settlements problems.

75. Against this background, there are two clear priorities for urban management: (*a*) finding ways of generating and controlling more revenue at the local level; and (*b*) developing the capacities to deal creatively with rapid and complex change within representative systems of urban governance.

75. Generating and controlling more revenue at the local level must be achieved without penalizing the poor in the process (for example, by designing pricing and cost-recovery schemes using cross-subsidies). Potential avenues include local income taxes (as in Poland, Hungary and Bulgaria), property taxes (though these are costly to administer and politically unpopular), access to national and international capital markets, transfers from central government (usually more significant in smaller towns and cities and making up 50 per cent or more of revenue in Indonesia, Brazil, Mexico, Turkey and Tunisia) [60] and user fees. Local control over the design and implementation of cost-recovery schemes is essential if they are to work effectively, especially if poor people are not to be penalized.

Table 4. The evolution of human settlements policies

Phase and approximate dates	Focus of attention	Major instruments used	Key documents
Modernization and urban growth: 1960s-early 1970s.	Physical planning; pr. ..ction of shelter by public agencies.	Blueprint/top-down planning; direct construction (apartment blocks and core houses); eradication of informal settlements.	
Redistribution with growth/basic needs: mid-1970s-mid-1980s.	State support to self-help ownership on project-by-project basis.	Recognition of gender concerns and informal sector; squatter upgrading; sites-and-services; subsidies to land and housing; building standards and norms; low-cost infrastructure.	Vancouver Declaration (Habitat I: 1976); Shelter, Poverty and Basic Needs (World Bank: 1980); World Bank Evaluations of Sites-and-Services (1981-1983); Urban Basic Services (UNICEF).
Management of cities/the enabling approach: late 1980s-early 1990s.	Securing an enabling framework for action by people and private sector.	Public-private partnership; gender-aware planning; NGOs/CBOs; community participation and management; capacity-building; land assembly; finance and credit.	Global Strategy for Shelter to the Year 2000 (1988); Urban Policy and Economic Development (World Bank, 1991); Cities, Poverty and People (UNDP, 1991); Agenda 21 (1992); Enabling Housing Markets to Work (World Bank 1993).
Sustainable urban development: mid-1990s-	Holistic approaches to the city; balancing efficiency, equity and sustainability.	As above, plus greater emphasis on environmental management, urban poverty-alleviation, and public-private partnerships.	Sustainable Human Settlements Development: Implementing Agenda 21 (UNCHS 1994); Sustainable Settlements in an Urbanizing World (UNCHS 1994); The Habitat Agenda (UNCHS 1995).

77. Developing capacities to deal creatively with rapid and complex change is essential because this is what characterizes urban development. Urban growth cannot be contained: social, economic and political changes in the cities of developing countries have already outpaced the ability and/or willingness of Governments to change their institutional frameworks in order to manage them more effectively. [61] Rather, the fundamental challenge is how to marshall human, financial and technical resources to meet the needs of urban growth, and to do this sustainably. [62] This means staying

out of the things that people, NGOs, CBOs and the private sector do well (like building or the micro-management of settlements), and concentrating on the things that only Governments can ensure, like equitable legal and regulatory frameworks for land and credit markets, and coordinated provision of infrastructure and services.

78. Traditional blueprint planning worked reasonably well in cities characterized by slow growth, high average incomes and effective land use regulations, but not when exported to cities without such features. Managers must therefore be trained in process approaches to planning which emphasize learning, dialogue and innovation: and they must have incentive and career structures to keep them in post and motivated. This transition has been described as moving from "planning the city, to a city that plans". [63] Close integration of planning and development responsibilities across different sectors usually pays dividends (compare, for example, the relative success of the Calcutta Metropolitan Development Authority with the performance of Bombay). Transparency and accountability are always important as is charismatic leadership (by mayors, politicians and community organizations).

4. *Planning and management in the liveable city*

79. The rise of holistic approaches to human settlements development and management has not been limited to environmental concerns: it also embraces the close linkages which exist between human settlements and economic policy, social policy, culture and the less material (but no less important) dimensions of urban living such as safety and tolerance. As the Habitat I Declaration put it as far back as 1976, "the Vancouver Conference is about the whole of life". This concern for the liveable city is central to the Habitat II Agenda in Istanbul, and makes the task of urban planning and management much more complex.

80. In terms of macroeconomic policy, cities can make more of a contribution to national wealth by improving urban productivity and by attracting investment with good infrastructure and transport links. Interest-rate policy must increase access to affordable credit, while central government budget deficits have to be managed in such a way as to protect municipal revenues (otherwise decentralization will be impossible). Fiscal decentralization should start by transferring functions to, and building capacity at, the municipal level, so that when revenues are decentralized they can be managed effectively.

81. In terms of social policy, decisions over human settlements planning and management can have a far-reaching impact on wider goals such as equity, access to social services, and the horizons of disadvantaged groups. The provision, maintenance and financing of basic services (health, education, water, sanitation) should be sensitive to the differing needs of these groups and ensure that no-one is denied affordable access. Legal and regulatory frameworks should not discriminate against any group, and disadvantaged groups in particular, and must ensure that special measures are taken to promote their participation in the fruits of urban development.

82. In terms of culture and human security, the city is where most people will spend most of their lives. Goals such as safety, good urban design, the provision of green spaces and recreational facilities, and policies which tolerate diversity, should all be prioritized.

83. If these dimensions of urban living are not integrated into human settlements planning and management, success in one area is likely to result in failure in others.

B. *A brief history of shelter policy and practice*

84. The major phases in the evolution of shelter policy and practice over the past 30 years are shown in table 4.

- Phase one (during the 1960s and early 1970s) was dominated by physical planning concerns with little attention to social, economic and environmental linkages. Large-scale investment in public housing by Governments was the norm,

producing shelter (such as tower blocks) which few people wanted to live in - the most expensive and least efficient use of scarce resources.

• Phase two (from the mid-1970s to the mid-1980s) saw the beginnings of a more market-oriented approach to human settlements with greater attention given to gender concerns, informal-sector activity and popular participation. Governments refocused their efforts on support to self-help housing on a project-by-project basis. This was much more successful than phase one,
but was unsustainable and far too limited in reach and scale because sites-and-services and upgrading projects incurred high levels of subsidy
and administrative costs.

• Phase three (from the mid-1980s to the early-1990s) overcame many of these limitations by re-focusing again on creating a supportive legal, financial and regulatory framework for human settlements development with a greater role for the private sector and by poor people themselves, closer ties to macroeconomic policy, and a growing focus on urban management and sustainable development. The enabling approach to human settlements laid out in the Global Strategy for Shelter to the Year 2000 (explored in more detail below) was the key to these changes, supported by and reflected in major policy documents from international agencies and in the conclusions of the United Nations Conference on Environment and Development. In the industrialized world, a similar shift took place, away from the welfare-state consensus of the post-Second World War years (social housing, mortgage subsidies etc.) towards a greater reliance on
markets.

• Phase four (the present day) continues the emphasis on enabling strategies but places sustainable development, human security and urban governance at the centre of planning and management. There is never, of course, a complete consensus on development policy and the debate continues today between those (such as the World Bank) who place more emphasis on enabling markets to work, and those (such as UNCHS, UNDP, UNICEF and European Bilateral Aid Donors) who retain more of a focus on poor peoples' participation in markets, human development and stronger government. This is an important debate because it centres on the principle of equity, which is the foundation for human rights and implies the elimination of discrimination and the promotion of policies which ensure a fair distribution of opportunities and benefits in the city. [64]

85. This brief history shows how the broad trends outlined above have influenced thinking about shelter, but there are some other factors which have also been important in making policy more effective and relevant. Five of these factors are considered below: the shift to indirect approaches, public-private partnership, gender-aware planning, rental options as well as ownership, and security of tenure. After examining each of these shifts in some detail, the report discusses the means by which they have been operationalized in practice: National Shelter strategies.

1. *From direct production to support for others*

86. No Government (save in the very particular circumstances of Singapore and Hong Kong) now spends significant resources on the direct production of housing and infrastructure; or relies exclusively on the public sector to supply land, finance and transport; or makes environmental protection solely a governmental concern. The focus has moved firmly towards State support for building by others, whether in the commercial private sector, social housing corporations and foundations, or poor people themselves - from direct action to indirect action. The reason for this change is obvious: scarce government resources can go much further when they are used to facilitate action by others who can do the job at lower cost, more appropriate standards, and a pace in line with low and unstable incomes. Time and again, people have demonstrated immense energy and creativity in developing their own shelter, once provided with basic support and inputs in the form of land, infrastructure, finance and materials (issues which are discussed in detail
in part IV). Box 8 provides some examples of what can be achieved in this way. Overall, experience demonstrates that what is required is a continuous process of shelter development (rather than isolated shelter projects) in which land is

assembled, services installed and plots sold or legalized at prices the poor can afford. However, it is also true that these indirect approaches to shelter by government are better at supporting and enhancing positive trends (such as popular initiatives) than in combating negative ones (such as speculation), a key issue to which the report returns in part V.

Box 8. **Large-scale upgrading - what breeds success?** [65]

Since 1968, the Kampung Improvement Programme in Indonesia has been active in over 500 towns and cities, supporting low-income residents to improve their environment gradually, over time. The success of the programme is one reason why (despite the poor performance of the formal construction sector), residential densities and average dwelling size are actually improving. In Sri Lanka, similar results have been achieved in the Million Houses Programme (which reached over 300,000 low-income families between 1984-1989) and the 1.5 Million Houses Programme (1990-1995). Other examples include slum upgrading and Urban Basic Services in India (over 500 towns and cities), and the Katchi Abadi Improvement and Regularization Programme in Pakistan. The following factors seem to underlie the success of such programmes:

- Continuity: programmes start early and support is carried on for decades, not years;
- Creation of a supportive political environment for community action and strong community organizations;
- Housing improvement integrated with other programmes such as tenure regularization, health and public transport;
- Built-in local accountability and decision-making (e.g. to the Mayor's office not to central government, or via community efforts such as the community construction contracts in Sri Lanka);
- Work conducted on a large scale to reduce pressures for downward filtering and price rises over time due to commercialization; and
- Institutionalized approach so that local authorities are able and willing to work in partnership with residents over the long term.

2. *The rise of public-private partnerships*

87. Instead of opposing private developers, evicting people from illegal occupation, opposing or frustrating CBOs and NGOs, and ignoring private capital markets whose resources are so huge, Governments now tend to focus on working with these other actors in positive and creative ways. This enables each sector to concentrate on what they can do best and (at least in theory) allows for the roles and responsibilities of the public sector, the private sector, and NGOs and CBOs, to be made mutually-supportive. The common features of successful partnerships are listed in box 9, while concrete examples reappear throughout the rest of the report. Public-private partnership has its limitations and drawbacks (principally those of scale and poverty-reach, which are analysed in part V), it does provide a firmer foundation for

success in human settlements than previous attempts to block or eradicate private and popular initiative.

Box 9. **Common features of successful public-private partnerships** [46]

- Strong national and municipal government to provide continuity of support, prevent speculation and politicization, ensure access to inputs, coordinate different sectors, and define laws and regulations.
- Competent NGOs and CBOs to act as intermediaries between low-income groups and private-sector actors.
- Concrete benefits to all the parties involved, valued in their own terms (not necessarily profit-maximization - reducing risks and promoting access to funds can work just as well).
- Participation of all the partners in design, implementation and monitoring (to promote accountability and ownership over outcomes).
- A favourable context - macroeconomic, political (e.g. space for NGOs/CBOs) and cultural (e.g. a culture of compromise).
- Limiting the role of commercial interests to operational (as opposed to policy) decisions.
- Integration of functions/sectors (land, finance, infrastructure, capacity-building).
- Programme-based not project-based i.e. changing policies, resource flows and access, and linking new arrangements into existing financial and other networks/institutions (reduces administrative costs and promotes scale and sustainability).

3. *From gender-blind to gender-aware policy and planning*

88. The rise of gender concerns and a determination to end discrimination against women has been one of the most important developments in human settlements planning and policy since Habitat I. Urban planning must contribute to reducing gender-based inequalities in access to shelter inputs, programmes and training, and recognize and respond to the different needs and priorities of men and women instead of designing for a mythical household with uniform characteristics. This is not a matter of ideology or political correctness: gender-aware planning and management is:

(*a*) More effective, because it utilizes the resources of women as well as those of men;

(*b*) More sustainable, because it reduces the risk of project failure; and

(*c*) More equitable, in ensuring that women benefit from policies, laws and regulations, and access to resources.

89. Rather than an afterthought, gender is a central concern of all decisions over human settlements. Of course, awareness does not always translate into action, nor rhetoric into reality. The Habitat Reviews are unanimous in exposing a widespread failure to turn public commitments into mainstream practice, [67] yet the rise of gender concerns is undoubtedly a major conceptual and practical advance of the last two decades. Making these concerns stick is a key strategic issue which is explored in part V. Extending the lessons learned in gender-aware policy and practice to other marginalized groups (such as children and young people, and the elderly) is another important task for the future.

4. *From self-help ownership to choices about tenure*

90. Until the early 1980s planners and policy makers focused their attention almost exclusively on forms of ownership in the city, even for the poor. In fact the reality of housing tenure was always much more complex than this, and the last 15 years have seen a gradual increase in official recognition of the importance of rental housing in most cities. Like gender, this has yet to be translated into concrete support for rental options. Rather than a centralized focus on one form of tenure to the exclusion of others, the goal of human settlements planning and management is now the widening of options to ensure that people with different preferences and characteristics are able to match their incomes and priorities with the type and tenure of housing they want.

5. *Property rights and security of tenure*

91. Clearly enforceable property rights and security of tenure (whether through freehold, leasehold or enforceable rental agreements) are absolutely central to successful shelter development and constitute the best protection for people from arbitrary eviction. This is accepted by all. But obliging States to act in defence of universal rights to adequate shelter continues to be hotly-debated.

C. *Shelter strategies: from global to local*

92. Along with Agenda 21, the most important development in human settlements policy and planning over the last two decades has been the shift to the enabling approach whereby the full potential and resources of all the actors in the shelter production and improvement process are mobilized; but the final decision on how to house themselves is left to the people concerned. [68] In this approach Governments withdraw from the direct provision of housing to facilitate new construction via a more appropriate regulatory framework and financial environment. Elements of this approach were present in the Vancouver Declaration from Habitat I, but it was the International Year of Shelter for the Homeless in 1987 and the Global Strategy for Shelter to the Year 2000 (GSS) one year later that formalized these elements into a coherent approach to human settlements overall. The GSS was designed to provide overall guidelines within which enabling strategies could be developed at national level between 1989 and 1994, focusing on the:

(*a*) Definition of clear and measurable objectives;

(*b*) Gradual reorganization of the shelter sector, legal and regulatory framework;

(*c*) Mobilization and redistribution of financial resources (housing finance, subsidies, cost-recovery mechanisms);

(*d*) New arrangements for producing shelter and managing land, infrastructure and the construction industry; and

(*e*) The promotion of sustainable energy and transport systems.

93. The mid-term review of the GSS in 1994 shows that progress on National Shelter Strategies has been patchy. At

the broadest level. 73 per cent of the 74 countries which replied indicated that they had adapted an existing strategy or had put a new one in place, though only 25 per cent of countries in sub-Saharan Africa had gone the next stage toward implementation and monitoring. [69] The underlying philosophy of the enabling approach seems accepted by all, with few Governments continuing with outdated measures such as direct production of housing for the poor or the eradication of informal settlements. Yet concrete implementation remains weak, and many countries lack the detailed time-frame, sub-objectives and resources required to turn policies into strategies. [70] Some of the factors underlying poor implementation are listed in box 10. There is a broad correlation between countries with acceptable shelter conditions and those with well-elaborated National Shelter Strategies (e.g. Chile, Philippines, and Jordan): poor-quality housing is as much the result of housing policies as of poverty *per se*. [71]

Box 10. What factors underlie weak implementation of shelter strategies? [72]

- Lack of high-level, continuous political support (which makes it more difficult to take measures unpopular with vested interests, such as taxing idle land or simplifying regulations).
- A poorly-developed understanding of the realities of local land and housing markets, the construction industry, and finance.
- Too many goals and objectives which are unrealizable given the realities of finance, interest groups, politics etc. (cf. a smaller number of core, achievable goals).
- The absence of a focal point for strategy and monitoring with strong links to revenue-raising agencies at the local level (since control over finance is the key to strategy implementation).
- Lack of dialogue and involvement, and antagonistic relations between public and private sectors, government and NGOs.
- Weaknesses in urban management and the capacity to plan, monitor, evaluate and learn from experience on a continuous (rather than one-off) basis.
- Weak incentives for civil servants to improve performance.
- A failure to consult with and involve women at all stages.

94. At the level of detail, there are a good many innovative experiences with strategy-formulation, some of which are summarized in box 11. They focus on broadening the process of consultation about goals and plans (to include NGOs, CBOs and businesses), strengthening the role and resourcing of municipal authorities, and integrating different functions into transparent, accountable bodies.

Box 11. **Innovations in national shelter strategy development** [73]

- Decentralization and greater involvement of civic actors, e.g. Uganda, which piloted local discussion of preliminary ideas in four districts: subsequently brought representatives together from all 38 districts to discuss the draft National Strategy; and subsequently developed a detailed plan for implementation under a unified authority - the Inter-Agency Steering Committee. Similar workshops or hearings have been held in Nicaragua and Indonesia.
- Strengthening the role and resources of municipal authorities e.g. the Philippines, where the Local Government Code of 1991 decentralized responsibility for shelter planning to cities and provinces, and allowed local government to reclassify up to 15 per cent of agricultural land for urban uses, raise their own revenue and taxes, and secure foreign grants or loans without clearance from Manila.
- Closer coordination with economic policy, and stronger functional integration e.g. the Philippines Housing and Urban Development Council, and the Joint Sub-Committee on Housing in Thailand.

D. *Donor policy and external resource flows to human settlements*

95. Agenda 21 estimates that the provision of adequate shelter for all will cost US$ 75 billion annually to the year 2000, at least US$ 10 billion of which will have to come from external donors (underlining the fact that it is local resources that have always provided the lion's share of shelter investments). The importance of external assistance should not therefore be exaggerated; but neither can it be ignored. The problem is that aid to human settlements has never approached this figure and today may actually be declining as aid budgets stagnate and government expenditures are cut back: between 1980 and 1991 less than 1 per cent of ODA from OECD countries, and under 3 per cent of non-concessional loans, went to human settlements, despite the fact that approaching 50 per cent of the world's population lives in cities. [74] The World Bank spends only 9 per cent of its resources on urban development and UNDP even less, [75] though some donors (such as the Asian Development Bank and the World Bank itself) have, in response to increased demand, increased their investment in human settlements.

96. The issue here is not simply a matter of the quantity of aid but, perhaps more importantly, its quality. Over the last 20 years, donor priorities have shifted in line with the general trends in policy outlined above and in response to perceived failures of earlier, project-focused strategies - from fixed investments in housing projects to support to the wider processes of partnership, housing finance, urban management and capacity-building. Some examples of the latter can be found in box 12, with a focus on promoting access to services for the poor, increasing the efficiency of urban economies, enhancing the urban environment and strengthening institutional and financial capacities for sustainable management. [76] This is a welcome development, though improving management should not be seen as a panacea and there is a need for the large number of related initiatives to be coordinated more closely so that unreasonable demands are not placed on poorly-resourced local administrations and mutual learning can be maximized.

Box 12. **Donor support to capacity-building** [77]

- Urban Management Programme (World Bank/UNDP/UNCHS): launched in 1986 and second phase in 1992 to strengthen capacity in managing land, finance, infrastructure and services, the environment, urban poverty, economic development, links with NGOs/CBOs and strategic planning. A request from the host government is a prerequisite for assistance (guaranteeing some level of local commitment) and a process of consultation helps to ensure that priorities are in line with needs. Independent evaluations give the programme high marks but warn of the dangers of over-concentration on quantitative results (numbers of cities etc.).
- Sustainable Cities Programme (UNCHS/UNEP): formally the operational arm of the UMP, launched in 1990 to improve urban environmental planning.
- Localizing Agenda 21: Action Planning for Sustainable Urban Development (Government of Belgium/UNCHS): focus on training.
- Urban Poverty Partnership (links the poverty component of the UMP with ILO and UNV).
- Training and Capacity-Building Strategy for Municipal Management (UNDP).
- Municipal Finance and Management Programme for Asia (UNDP/UNCHS/Dutch Government).
- Settlement Infrastructure and Environment Programme (UNCHS/UNEP).
- Metropolitan Environment Improvement Programme (World Bank/UNDP).
- Support to National Shelter Strategies (FINNIDA/DANIDA/UNCHS): technical support and funding for early experience in developing enabling shelter strategies.
- Housing Indicators Programme (World Bank/UNCHS): builds capacity to collect and analyse basic data from a cross-section of cities/countries; crucial to effective planning in the future but data not disaggregated by income, age or gender.
- Urban Research in the Developing World (World Bank/UNCHS/UNDP/Ford Foundation): audit of past and current academic research; identification of priorities for capacity-building.

SUMMARY

Human settlements planning and management has changed a great deal since Habitat I in 1976, and current approaches provide the best foundation for sustainable urban development. The most important elements of successful approaches are as follows:

- Making positive use of urban growth rather than trying to reverse it;

- Putting in place enabling legal, fiscal and regulatory frameworks which release the energies and resources of all the actors in the city, emphasize public-private partnership, and prioritize the central role of land and finance;

- Taking a holistic view of human settlements which integrate sustainable development concerns with social and economic policy;

- Promoting representative and accountable urban governance;

- Building urban management capacity to deal creatively with rapid and complex change, and facilitate participatory and gender-aware planning and the activities of NGOs and CBOs.

In all these areas, the challenge remains to convert principle into practice by improving implementation. In doing this more effective urban management is not enough: what is needed are better policies, more resources, and systems of governance which enable all sections of society to have a voice in how they are spent. Experience shows that such systems can make a real difference to the quality of life in cities, even when resources are scarce.

A start has been made in most countries in reorienting the basic elements of human settlements planning and management through National Shelter Strategies and local Agenda 21s, often involving a broader range of private actors, NGOs and others. However, concrete results have yet to emerge and action in the key areas listed above needs to be re-prioritized, resourced, and implemented within a clear framework of schedules, targets and indicators.

External assistance to human settlements must be prioritized; its quantity must be increased and its quality enhanced through coordinated donor-government action in key areas. More attention should be paid to using aid to lever larger amounts of resources from private capital markets.

IV. INSIDE THE CITY: POLICY AND PROGRAMME RESPONSES

A. *Inside the city*

97. As a result of research and experience, we now know a great deal more about how cities work, and what we know is that markets, patterns and conditions are a good deal more diverse, dynamic and complex than once thought, rooted in the specifics of each ci.. .nd often unpredictable. In general, of course, shelter conditions decline when cities grow very quickly, and improve with per capita incomes; for example, the proportion of unauthorized settlements is only 30 per cent in cities in middle-income countries but rises to 75 per cent or more in cities such as Nairobi, Dhaka and Ibadan. [78] But shelter conditions also vary between cities of similar income levels, and within cities - in a wide range of land and housing sub-markets and tenures, and according to gender, ethnicity and personal preferences. There are few universal trends in terms of shelter quantity, quality and affordability. Data from the Housing Indicators Programme show that affordability (measured by comparing house prices and rents to wages and incomes) varies much more in the cities of developing countries than in industrialized countries. These variations are in large part attributable to the effectiveness (or lack of it) of policy in key areas like land supply, building materials, finance and infrastructure. For example, cities (such
as Kingston and Cairo) with low per capita spending on services and infrastructure also tend to have the largest gaps between the cost of unserviced and serviced land, which causes particular problems for the poor. [79]

98. In terms of housing tenure, there is no universal correlation between owner-occupation and income; some cities in rich countries (such as Amsterdam and Vienna) have high proportions of renters, and some cities in poor countries (such as Lima and Khartoum) have high proportions of owners. What makes the difference are individual preferences, government policies, and land and housing markets. In developing countries, the most important avenue for ownership has been the illegal or semi-legal occupation and subdivision of land, with secondary rental markets developing when demand for plots exceeds supply. Female-headed households may be more likely to be renters or sharers, since they are often excluded from official housing programmes, have lower incomes and less time for self-help construction. Younger and more mobile families often rent rather than own. These differences give rise to a large number of housing sub-markets, it being common to find 8 to 10 rental sub-markets and 5 to 6 sub-markets for ownership, in the same city. Some of the worst shelter conditions are found in the poorest of these sub-markets, such as the rental shantytowns of Calcutta or Lagos.

99. Public-owned housing makes up less than 10 per cent of the housing stock in most developing countries, and is declining over time as Governments put more reliance on markets and private builders, though this figure remains as high as 80 per cent or 90 per cent in centrally-planned economies and countries in transition. [80] In some industrialized countries (such as Sweden and Norway), an intermediate category of tenure is important, with cooperative or social housing providing high levels of security at low cost and less risk of speculative capital gains. The potential of these forms of tenure in the cities of developing countries is largely unexplored territory.

100. As the absolute amount of household income spent on shelter generally increases as income rises, economic growth has the potential to create the conditions for rapid improvement in shelter conditions, so long as the city offers each family (and the different individuals within it) access to the type and tenure of housing they want, with appropriate access to services and infrastructure, and in the right place. This should be the goal of all shelter policy and programming, to which the report now turns.

B. *Policy and programme responses*

101. Theoretically, shelter policy and programming is a simple affair: first, supply constraints need to be removed by bringing more serviced land onto the market, stimulating builders and landlords, easing access to affordable construction materials, removing unhelpful - or even counter-productive - standards and regulations, and using infrastructure and public transport in the right way. Secondly, effective demand has to be increased by promoting income-earning opportunities

and security of tenure, ensuring access to affordable housing finance, targeting subsidies properly, and protecting the poorest using social safety-nets and other special measures. Thirdly, the city must have systems and capacities to manage and govern supply and demand in line with the needs and rights of all social groups. In reality, however, supply and demand are heavily constrained, markets are imperfect, and management and governance are weak. Speculation and politicization are rife in most developing-country housing markets, partly because land and housing are valuable commodities and partly because policy and regulatory environments constrain supply. Historical rigidities and weaknesses in property registration and information systems increase these imperfections, and it is always poor people who are most disadvantaged by poorly-functioning markets. What, therefore, can planners and policy makers do as a matter of priority to improve shelter conditions in the cities of low-income countries?

102. Top priority should go to removing supply constraints, especially in land and finance. If this is done on a sufficient scale, shelter quality and affordability will rise without the need for costly regulatory and supervisory systems. Increasing effective demand is also important, but is more difficult to achieve as a short-term policy measure. In relation to both supply and demand, there are at least four key areas for action. They are:

(*a*) Getting more serviced land onto the market and managing its use more effectively, and improving infrastructure and services on a sustainable basis;

(*b*) Improving and expanding the flow of finance to human settlements development, making credit accessible to lower-income borrowers, and rationalizing subsidies;

(*c*) Facilitating the production of more affordable housing, by stimulating the construction sector; reforming standards, norms and regulations; promoting rental housing, and guaranteeing secure claims to property; and

(*d*) Promoting employment and protecting the poorest.

103. The report examines each of these priorities in turn, ending with a brief look at their implications for urban management and environmental protection. All are presented against the background of the wider shifts in human settlements planning and management described in part III: sustainable development, equity, good governance and partnership.

1. *Land and land management*

105. Inadequate supplies of land have been the area of greatest failure in shelter strategies over the last 20 years, and the single most important factor underlying the poor performance of many housing markets, infrastructural development, and transport planning. It is now recognized that Governments need to work with rather than against land markets (especially informal or semi-legal ones), and concentrate on positive measures (such as infrastructure-led development and public-private partnerships) rather than negative ones (such as heavy regulation, and evictions). Some examples of such positive innovations are shown in box 13.

Box 13. **Innovations in land policy** [41]

- Land sharing in Bangkok provides secure tenure to poor people living on part of a lot in return for the right of the landowner to sell or develop the other part. Both parties benefit, though lengthy negotiations are often involved.
- Land readjustment in India brings together small parcels of land which are provided with infrastructure; the readjusted land is then returned to the owner on condition that a proportion of the unearned increase in land values is handed over to Government for the benefit of the poor.
- Land banks in Colombia and Mexico enable Government to stockpile land and release it at the appropriate time, though if this is not handled correctly bottlenecks can be exacerbated.
- Incremental development in Hyderabad (Pakistan) reduces costs to the poor by enabling them to buy or settle on un-serviced land and installing infrastructure gradually.
- Guided development in Curitiba (Brazil) promotes lower land and journey-to-work costs by planning low-income settlements along bus ways (see box 14).
- Cross-subsidies in Tunisia have been used to provide land at below-market prices to poor people, covering costs by selling to higher-income groups at market rates.
- Transfer of titles is common where resettlement *in situ* is not possible; households are granted tenure in a new location in return for moving.

Box 14. **Public transport in Curitiba (Brazil)** [42]

The city of Curitiba is often seen as a model of successful urban development in a middle-income developing country. A network of bus ways radiate out from the city centre, each one with subsidiary roads either side for cars and lorries. Guided land development (including low-income settlement) takes place along these corridors, with manageable journey-to-work times being preserved by the public transport system which handles over 1.3 million passengers a day. It is estimated that this system enjoys savings of 25 per cent in fuel consumption; has succeeded in reducing ambient air pollution to one of the lowest levels in Brazil; and has helped to create one of the most liveable cities in the country. Similar dividends have been obtained by linking dense urban centres with efficient public transport in cities such as Toronto and Freiburg, Germany.

105. Simple systems to ensure that land registration and purchase are quick, easy and cheap are important, as are transparent, decentralized systems for managing land at the local level. Most illegal land markets operate within limits that do not threaten government interests or public health, so there is no reason to eradicate them, though such markets are often very complex and require of planners a detailed understanding of how they work. Investing in undeveloped land along public transport routes (as in the example of Curitiba cited in box 14) allows rising land values to be appropriated by poor people as well as Government (via taxation and user fees) and reduces the dangers of commercialization in low-

income settlements, which can drive out the original settlers as prices rise. A secure claim over property (though not necessarily full private property rights) is also essential to induce investment (see below).

106. At the same time, Governments must manage the supply of land to ensure that vacant land within the built-up area is used efficiently (which means penalizing speculators), and that new land on the urban periphery is developed conservatively i.e. that valuable agricultural land is preserved by guiding development along public transport corridors or development zones which have been provided with essential infrastructure. This is a very difficult balance to strike, but is the only way of conserving land and reducing the environmental impact of urban growth, while simultaneously releasing supply constraints in land markets. The way not to do this is to implement a complex array of controls and regulations which are costly to administer (and usually ineffective anyway), which end up by adding to bottlenecks in the land market and to pressures for holding land vacant for speculative gain. The example of the Urban Land Ceiling Registration Act in India is often cited in support of this point. [83]

107. However, up until now innovations in land markets (including those listed in box 13) have been on much too small a scale to cope with demand; more forceful intervention by Governments to release very large amounts of land into the system quickly are essential if poor people are to have access to the land they require.

2. *Infrastructure and essential services*

108. Even basic water and sewerage, electricity, roads, clinics and schools are (in most cases) insufficiently profitable to induce a wholly commercial-sector response and costs too high for low-income families to finance by themselves (at least US$ 800 per person according to one estimate). [84] Yet access to serviced land is a key determinant of shelter conditions and efficient urban growth. Services and infrastructure also require coordination at the city level in order to ensure equity of access, quality control and safety, and economies of scale. Otherwise poor people will be left to rely on private water vendors and other service-providers at a cost many times more than the equivalent supply from a city-wide piped water network. [85] This means that local Government must play a major role in bringing together and supervising the activities of private for-profit and not-for-profit service-providers, and if necessary in the direct provision of infrastructure itself. The experience of Curitiba described in box 14 demonstrates the benefits to be derived from judicious public investment in planned infrastructural development, in this case focusing on land assembly along public transport corridors. Contrast this with the experience of Bangkok, which is losing foreign investment as a result of increasing congestion on its streets; or the many other developing-country cities in which poor people face journey-to-work times of three hours or more each day costing 20 per cent of their incomes. [86]

109. Although Governments play the key role in coordinating infrastructure and services, the most efficient and equitable mode of provision and maintenance will vary greatly between and within cities, and from one service to another. Where consumers can be charged separately and where competition between providers is possible, private provision may be better than public provision, so long as Government has and uses the capacity to ensure quality and universal access - these conditions often apply to refuse collection and transport. Where monopolies are likely (in water supply, sewerage and electricity, for example), the success of contracting-out depends on the existence of a competitive market and a Government willing and able to enforce standards. Both shifts from public to private provision, and from private to public provision, have been shown to produce beneficial results. [87]

110. In developing countries the best way forward may be via partnerships between public and private sectors (see box 15), and/or via community operation and management. Successful experiments such as the Orangi Pilot Project in Karachi (which has assisted over 72,000 low-income families to develop water-borne sewerage systems at half the cost of commercial or government suppliers) show what is possible when high levels of participation by users are promoted. [88] Neighbourhood committees now regularly undertake infrastructural work in partnership with Government in many cities, adding in their own resources in return for capital subsidies. At the municipal level too, partnerships can mobilize much larger supplies of finance for services and infrastructure while simultaneously promoting efficiency in cost-recovery and

maintenance. For example, Tijuana (in Mexico) held a referendum to find out if citizens were prepared to contribute their share of funding for an ambitious urban infrastructure programme: 66 per cent voted yes, so unlocking a further 15 per cent of the total from local businesses, 25 per cent from central Government, and 20 per cent from direct users. [89]

Box 15. **Public-private partnership in service-provision - the experience of AGETIP** [90]

AGETIP (Agence d'Execution des Travaux d'Interet Public) is a private, not-for-profit enterprise that contracts with Government in Senegal to execute urban infrastructural work and service-provision. It acts as a broker between the State and private contractors, ensuring high levels of quality control and accountability via competitive bidding but without the bureaucratic delays and high administrative costs that can bedevil the public sector. Up to January 1993, AGETIP had implemented 330 projects totalling US$ 55 million in 78 municipalities, creating over 52,000 jobs in the process by promoting labour-intensive methods of construction and contracting among local firms.

111. Overall, experience demonstrates that infrastructure and services must be demand-led (i.e. be what people want and are prepared to pay for), low-cost and affordable (e.g. gravel rather than tarmac roads, public standpipes as well as individual connections), community-managed, and incremental, so that improvements can be made over time and in line with gradually rising demand and willingness to pay.

3. *Financing shelter and human settlements*

112. An adequate supply of affordable credit for land, infrastructure, housing, building materials and business-development is absolutely critical to the process of strengthening demand. But this has proven very difficult to achieve in many cities, because all credit systems have to reconcile three potentially conflicting objectives: affordability to borrowers, viability to lenders, and resource mobilization for the sector as a whole. In practice, affordable systems may not be viable, at least on a large scale (carrying subsidies which are too high); while viable systems may not be accessible to the urban poor, especially to women. Examples such as FONHAPO (box 22) do show, however, that it is possible to combine scale, sustainability and poverty-reach in credit programmes so long as the external environment is favourable. Unstable, high-inflation economies, on the other hand, are very hostile to housing finance.

113. General priorities in this area include allowing long-term mortgage finance to compete fairly with other financial institutions, diversifying lending instruments to improve access among the poor, allowing new forms of collateral, extending the use of community mortgage institutions as a link between low-income groups and financial institutions, allowing Governments to provide conditional guarantees to encourage private-sector lenders, and liberalizing access among local authorities to national and international capital markets, within a framework of strong accountability for performance. [91] Governments should also encourage links between formal and informal financial institutions (to leverage additional resources and thus promote both scale and sustainability), and reward high-performing local authorities with additional transfers of funds or windows for borrowing.

Box 16. **Financing shelter and human settlements** [92]

The key priorities in securing a stable and sustainable flow of financial resources for human settlements development are as follows:

- Stimulating national and local economies to attract public and private resources and investment, generate employment and increase revenues.
- Strengthening fiscal and financial management capacity, developing taxation, pricing mechanisms and other sources of revenue.
- Enhancing public revenue through the use of fiscal instruments conducive to equity and sustainable development.
- Strengthening legal and regulatory frameworks to enable financial markets to work, draw in resources and encourage partnerships.
- Promoting increased and equitable access to credit for all people.
- Adopting timely, transparent, predictable and performance-based mechanisms for transferring funds between different levels of government.
- Targeting subsidies to those not served by markets, and promoting credit and other mechanisms appropriate to their needs.

114. One particular innovation that has generated much interest is the Municipal Credit Institution (MCI). MCIs are hybrid institutions which aim
to combine the commercial incentives of private lenders with the financial backing of central Governments and donors, usually to finance urban infrastructure - another good example of public-private partnership. The actual experience of early MCIs in India, Nigeria and elsewhere has been very variable, with problems of sustainability (high costs) and reach (not accessible to low-income borrowers), but the principle of combining commercial discipline with public guarantees is a sound one, especially if large-scale private capital can be drawn into the system on a lasting basis. In the Philippines, a new Local Government Code has gone one step further by allowing local councils to float bonds on the private capital market, backed by referenda among citizens to decide how the money should be spent. [93] This is an excellent example of promoting infrastructural improvements and good urban governance at the same time.

115. The examples cited above and listed in box 17 show what can be achieved when proper account is taken of the needs and characteristics of poor borrowers. Significantly, all of them involve NGOs and/or CBOs as intermediaries and women (in groups or as individuals) as borrowers; NGOs like BRAC (in Bangladesh), SEWA and the Working Women's Forum (in India) have demonstrated convincingly that the poor are bankable, though even these agencies find it very difficult to reach the poorest people, and operate on the basis of large external grants or loans at subsidized interest rates. There can no longer be any excuse for thinking that poor people cannot take part successfully in credit programmes. The challenge is to provide access to credit on a much bigger scale then hitherto, though significantly there have been more larger-scale successes in credit provision than in urban land markets, perhaps because donor agencies are more willing to fund such programmes and because there are fewer vested interests blocking essential reforms.

Box 17. **NGO innovations in housing finance** [44]

- Community mortgage programmes in Bangkok and Manila provide loans to community organizations and credit groups for on-lending to individuals at low interest rates and long repayment periods. In Bangkok the programme aims to reach 120,000 low-income families by the end of 1996.

- The "triguna" programme in Indonesia provides special finance from the National Savings Bank to help housing cooperatives and associations acquire property in three stages (land acquisition, site development, and house construction). The scheme was adopted as part of the National Shelter Strategy in 1993.

- Dual-indexed mortgages in Mexico are both sustainable (indexed to inflation) and affordable (indexed to wages), with payments fixed at a maximum percentage of household income and repayment periods adjustable beyond 15 years. The success of the programme has led to an expansion in commercial bank lending to shelter overall.

- FURPROVI in Costa Rica aims to integrate poor people over time into the formal housing finance system (to promote sustainability), but recognizes that they need special help for a number of years before they can graduate in this way. Borrowers therefore spend time in a separate credit programme on easier terms while they build up their incomes and creditworthiness.

4. *Rationalizing housing subsidies*

116. Given the scarcity of resources available to Governments in developing countries it is vital that any attempts to assist the poorest people in the city using subsidies are carefully targeted, though at least in shelter it is easier for subsidies to draw in resources from people themselves as they contribute their own resources to the building process. Experience shows that subsidies must be allocated directly to low-income households (men and women individually if required) if they are to be effective, most often via a community organization or NGO (as in the Community Mortgage Programmes described in box 17) which can oversee the process and ensure equity and fairness. Targeted housing benefits with a finite term (such as improvement grants) are better than general measures like rent controls. Some examples of the rationalization and positive use of subsidies to promote housing demand among the urban poor are given in box 18.

Box 18. **Experiments with housing subsidies** [95]

- Finland has terminated rent control on all non-subsidized rental housing and re-directed subsidies, to the most vulnerable households, and to house repair and rehabilitation rather than new construction.
- Hungary is gradually phasing out housing subsidies as part of the transition to a market economy, with the share of subsidies in the national budget declining from 17.3 per cent in 1989 to 6.7 per cent in 1993. They are being re-targeted on means-tested benefits (though this is still an expensive system to administer).
- Chile is redirecting subsidies to one-off grants to enable poor people to purchase shelter on the private market, covering up to 75 per cent of the cost of a serviced plot or core house. The system works well, partly because it is seen as transparent and fair by the participants.

5. *Housing*

117. Many of the key elements in successful housing strategies have already been noted in earlier sections. They include: ensuring access to affordable, serviced land, infrastructure and credit; promoting self-help housing and housing cooperatives, and supporting informal-sector developers; and using targeted action to assist people who are particularly vulnerable. Four other areas should be mentioned:

(*a*) Stimulating the construction sector and the supply of affordable building materials

118. In developing countries, construction activities can account for 80 per cent of total capital assets, and building investments yield large benefits over the long term. However, the construction industry is often poorly organized and building materials are often very costly, especially if they have to be imported. For example, sand, cement and steel prices rose five times in Tanzania between 1982 and 1989 (much more than the overall inflation rate) and by a similar amount in India and Nigeria. [96] It is particularly important that urban planners take steps to promote small-scale (often informal-sector) producers and building firms which satisfy most of the demand from low-income settlements (where self-help is in reality a complex set of sub-systems involving members of the family, small-scale contractors, and others). One half of all cement used in China and over 10 per cent in India is produced by small firms. [97] New, low-cost and environmentally friendly technologies such as soil-cement blocks and fly-ash cement can also help.

(*b*) Reforming building and planning standards, norms and regulations

119. Over-regulation by Government can increase shelter costs considerably - by 50 per cent in Malaysia, for example, and by 25 to 29 per cent in Zimbabwe. [98] It can take up to 20 months to obtain planning approval in 25 per cent of the cities surveyed by the Housing Indicators Programme, several years in Ghana (with over 20 separate steps), and 3 years in Lima. [99] Reforming and simplifying standards and regulations is an essential part of addressing supply constraints, though it must be undertaken carefully so that poor people are not exposed to hazardous or exploitative conditions. Instead of specifying that walls should be made of concrete (for example), it is better to say that "walls should stand up to local requirements and climate". Standards must be flexible so that buildings can be developed gradually, over time. The minimum basic standards in operation in Malawi and regulations in the Philippines which allow for graded earth roads in social/marginal settlements are good examples. It

must be remembered that a Government's minimum standards may well be maximum standards for poor people.

(*c*) Promoting rental housing

120. Despite the proven importance of renting across the world and the continued demand for rental housing from particular groups (young people on low incomes, for example, in both industrialized and developing countries), there are few innovations to report on in this field. Since most rental opportunities in developing countries are provided by landlords who are themselves low-income (letting a single room in their own houses, or a small apartment) this means providing incentives both to shelter development overall (to increase the potential supply of rental opportunities) and to landlordism specifically (to increase the supply of rooms and apartments actually provided). Colombia and Indonesia have some experience in furnishing special credit lines and fiscal incentives to landlords, and there are have been some successes in the rehabilitation of inner-city rental tenements - in Bombay, for example, and Mexico City. Rent controls (still in operation in two thirds of countries responding to the mid-term review of the GSS) are often not the most effective nor equitable way of keeping rents within affordable limits - the best way of doing this is to ease supply constraints in the rental market overall. [100]

(*d*) The importance of secure claims

121. Experience from around the world demonstrates that poor people will not risk investing in shelter development unless and until they have a secure claim on the property. This need not mean full private property rights, particularly given the problems that can arise from commercializing low-income housing as the original residents are tempted to sell out to higher-income newcomers. In the latest phase of the Philippines Community Mortgage Programme, for example, titles have been individualized too soon, which reduces the benefits that can flow from collective action and decision-making, previously one of the hallmarks of the scheme (and a prime reason for its success). [101] Instead, various forms of leasehold, collective title and enforceable rental contract can be used to confer security, as in Lusaka where 30-year occupancy licences have been granted to low-income families. The licences provide legal protection from eviction so long as the occupant pays municipal service charges; they are free to sell, mortgage or improve their housing (but not the land) at any time. [102] The extension of secure forms of tenure which promote investment yet deter speculation is a fundamental step in pursuing the goal of adequate shelter for all. Much more thought needs to be given to how such forms of tenure can be operationalized on a large scale.

6. *Promoting income-earning opportunities and safety nets for the poorest*

122. The obvious way to increase demand in the city is to reduce poverty, but of course this is extremely difficult to do and is a very blunt and unresponsive policy measure in the short term. There has been little progress to date in urban poverty reduction in many developing countries, as the figures in part II show. The World Bank, for example, is on record for its disappointment with its three-pronged strategy of promoting labour-intensive urban economic growth, investment in human capital, and social safety-nets to mitigate the impact of poverty on the poorest. [103] Part of the reason for this is that economic adjustment had had a much more severe impact on urban poverty in the short term than was initially anticipated. This impact has been especially severe among women, who have seen their workloads increase on both the domestic and employment fronts. Certainly, measures such as labour-intensive housing and infrastructure development, waste recycling, informal-sector credit and so on can help over the long term, and (if Governments can afford them) safety nets can provide temporary respite to people who are particularly vulnerable to economic shocks - the removal of welfare measures is one of the factors behind the rise of homeless young people in British cities over the last few years, for example. But thus far it has been more a story of poor people adapting to poverty in cities rather than cities growing out of poverty.

C. *Managing supply and demand in the city: resource management and environmental protection*

123. Given the resource shortages and other difficulties commonly experienced by urban managers in developing countries and the consequent need to prioritize, it is important to stress that, in most cities, addressing supply constraints in shelter strategies will pay more dividends than trying to regulate demand (which is often counter-productive). Managers should focus their attention on large-scale proactive land development and infrastructural investment, promoting mass access to affordable credit, and guaranteeing secure claims. Governments must interact creatively with informal land and housing markets and entrepreneurs to have any hope of alleviating shelter problems, either by "muddling through" (cooperating in order to curb poten tially damaging excesses), formalization (providing official blessing under certain conditions), or integrating informal into formal markets (using the strengths of informal markets in official programmes). Any regulations applied should obviously aim to balance costs with benefits, especially for poor people who are least able to absorb the costs and most likely to be exposed to abuses. Regulations are enforceable when they are acceptable.

124. In terms of sustainable urban development, both supply and demand have to be managed in ways which support the efficient use of scarce natural resources (especially land), promote energy-conservation and recycling, and penalize transgressors. In most cities in the South, this is extremely difficult to plan (because resources for planned intervention are so scarce and urban growth rates are high), but ironically even without much planning such cities are often more sustainable ecologically than their northern counterparts because levels of resource use and waste generation are low and so much waste is reused or recycled. [104] Environmental impact assessment and other appraisal techniques can be helpful in incorporating sustainability considerations into decisions over human settlements policy and practice, and local Agenda 21 plans can provide a useful framework within which policy priorities can be debated. The example of Bogotá given in box 6 is a good example of such a process at work. These issues are explored in more detail in part V, but to conclude this discussion of policy and programme responses it is worth singling out supply constraints in land and finance as the area of greatest priority for managers within the overall framework of sustainable urban development.

SUMMARY

- Conditions inside cities vary tremendously within and between countries, but sustained government intervention on the supply side of land, housing and capital markets is always essential if a lasting impact is to be made on human settlements.

- Governments must support informal entrepreneurs (including landlords), simplify standards and regulations, promote large-scale investment in infrastructure and services (including public transport), and guarantee secure claims to property.

- Land and finance are the areas of greatest failure in shelter strategies to date. Innovations abound but they are too small in scale to make any lasting difference to shelter conditions in most cities. Action in these areas is urgent.

- Public-private partnerships are a key element in successful policy and programme responses; all parties must obtain concrete benefits if such partnerships are to work. The role of NGOs and CBOs in acting as intermediaries between poor people, Government and markets is critical.

V. STRATEGIC ISSUES

125. The Habitat Reviews contain a wealth of detail, but certain themes reappear time and time again, each one linked to the others. Nine of these themes, or strategic issues, are presented in this section. They confirm the conclusions of other studies on the future of human settlements (see box 19). The first and most important concerns perceptions of cities as good or bad. The next eight are issues which must be tackled if more is to be made of the good.

Box 19. Cross-cutting issues from mega-cities [105]

1. There can be no global environmental solutions without urban environmental solutions.
2. There can be no urban environmental solutions without addressing poverty and conditions in low-income settlements.
3. There can be no improvement in low-income settlements without involving community residents and organizations and building on local coping mechanisms.
4. There can be no reliable research on local coping mechanisms unless done locally by joint efforts between local research teams and grass-roots groups.
5. There can be no way to involve grass-roots groups without NGO intermediaries.
6. There can be no impact of scale without replication. Small is beautiful but it is still small.
7. There can be no replication that works if imposed from above; choices and peer-to-peer learning are needed.
8. There can be no sustainability without partnership; scaling-up into public policy is needed to alter the way the system functions.
9. There can be no deliberate social change in cities within the old roles and rules of the game.
10. There can be no sustainable solutions without local/global linkages.

A. *Are cities good for development?*

126. Although there are still some who cling to simplistic views of "urban bias" or "cities triumphant", most people now accept that in the abstract cities are neither good nor bad - neither solutions to, nor problems for, the future of human development. The key task is to preserve, harness and build on the good things about cities (their productivity and dynamism), while counteracting those things that are not good (environmental degradation and inadequate shelter). Undoubtedly, cities have the potential to combine safe and healthy living conditions with culturally-rich and enjoyable lifestyles, low energy consumption, resource use, and waste. In the next century, the most relevant unit of economic production, social organization and knowledge-generation will be the city. [106] So says George Yeo, the Information Minister for Singapore. But clearly this prophecy can only come true if cities become genuinely successful in social and environmental as well as economic terms, for all their residents. As this report has shown, this is very far from being the case, especially in the world's poorest countries, but even for poor people in the cities of the

rich world. What then are the key areas for action if cities are to fulfil their potential in the twenty-first century?

B. *Land and finance*

127. The first of these areas concerns supply constraints in human settlements. The goal of the Global Strategy for Shelter to the Year 2000 is "to ensure that every family has access to a decent home at a price they can afford by providing a framework within which citizens can exercise choices and secure what they want". Precisely how people do this, the choices they do exercise, the outcomes of those decisions in terms of types and tenures of housing, and the constraints and opportunities they face will, of course,
vary enormously from one city, social group and period of time to another. Patterns of urban shelter and human settlements are much more complex, diverse and dynamic than was once thought, but the Habitat Reviews are unanimous in singling out supply constraints - and specifically land and finance - as the area of greatest concern. The failure of markets and Governments to deliver enough land and finance at the right price and time, and in the right places, is the most important factor in holding back progress in urban shelter, though solving this problem would not be sufficient to secure sustainable human settlements development without wider changes in governance, consumption patterns, and other areas. Greatly increasing supply in these areas also represents the best way for poorly-resourced Governments to ensure decent standards in shelter without having to depend on costly and often counter-productive regulations.

128. Part IV of this report describes a number of innovations in both land and finance which deserve to be taken up much more widely, but there are no magic solutions. In any strategy to release supply constraints, however, it is vital that:

(*a*) Development is guided, i.e. that finance is made affordable to those on low and unstable incomes by underwriting risks, and altering collateral and repayment methods; and that land is provided in the right places (e.g. along public transport routes), with the necessary infrastructure and services (though not necessarily all at the same time), and providing residents with a secure claim to property (though not necessarily private freeholds);

(*b*) Full use is made of partnerships with NGOs and CBOs (as intermediaries between people, markets and Government), and with the private sector at both national and international levels (which has access to far greater resources than Governments and is often - as in the case of informal developers - building the city anyway); and

(*c*) Constraints are attacked on the required scale, continuously and over the long term, so that action in one area does not cause problems in another.

129. Meeting these conditions requires strong government intervention;
it cannot be achieved by markets alone, since markets care little for considerations of equity and sustainability. This is a specific example of a general issue which the report now goes on to tackle - balancing intervention and liberalization in shelter and human settlements.

C. *The essential balance: freedom to build versus duty to protect*

130. All societies which aim to be both equitable and efficient must strike and maintain a balance between liberalization of markets (to promote efficiency), and market intervention (to promote equity and sustainability). This dilemma is replayed all the time in shelter and human settlements. If the balance between public responsibilities and private freedoms shifts too far toward the latter, those with less market power - poor people - may be penalized. Equally, if the balance shifts too far in the opposite direction, the vitality and creativity of people and businesses may be stifled.

131. In highly unequal societies with imperfect markets and a weak State apparatus, sub-standard housing, exploitative rents, insecure jobs and polluted water are just as likely as the thriving markets in land, housing and employment that

theory predicts. Examples include the "bustees" of Calcutta, the "cage people" of Hong Kong, and "capital flight" in Mexico. In none of these examples did liberalization benefit either low-income consumers or the economy in general. Markets in the real world are always imperfect, especially in developing countries; they are efficient mechanisms for optimizing short-run transactions, but they are much less effective in taking the longer-term decisions about investment, social and environmental priorities that are crucial for success in the city.

132. Governments have a duty to manage markets to the benefit of all their citizens, combating monopolies (e.g. over services) and addressing externalities (such as industrial pollution). Singapore, for example, has a strongly market-oriented approach to the economy but a highly interventionist policy towards human settlements (building 90 per cent of all housing for sale or rent). [107] Empirical research has shown that the most regulated housing systems in Europe (such as Sweden) outperformed France, the United Kingdom and others which followed a less interventionist route, in terms of output, costs and densities. [108] In Curitiba, many services are provided by private companies but within a framework set and monitored by a strong municipal Government, [109] something which is confirmed by the experience of most successful public-private partnerships in human settlements (see box 9).

133. This is not a matter of ideology, but a practical challenge to ensure that specific regulations have demonstrable benefits at least as large as their costs. Some areas are already under-regulated in many cities (such as the urban environment), whereas others are clearly over-regulated (such as rental markets). It is also true that there will be less need for regulations of any kind if Governments take action on a sufficient scale to ease supply constraints in land, housing and finance. But an effective system of urban governance and strong, representative municipal institutions are essential if the right balance between "freedom to build" and "duty to protect" is to be maintained, so that all citizens, and not just the better-off or the interests of private capital, are to benefit from enabling approaches to shelter. This takes us to the fourth of our strategic issues - good urban governance.

D. *Good urban governance*

134. Government is not just one of many possible providers of services in the city; it is the arena where all decisions over provision must ultimately take place. Therefore representative structures for decision-making - for governance - are essential. Governance is the universal mechanism by which human settlements adapt to a changing world. Successful cities demonstrate the positive power of government action when harnessed to private initiative, mediated through structures which allow everyone a voice. Democratic, accountable and transparent decision-making fosters an inclusive political culture, just as making markets work to the benefit of poor as well as rich people helps to combat economic exclusion. Political, economic and social (gender, ethnic) inclusion are the preconditions for sustainable human settlements development.

135. Empowering local authorities to raise and manage their own resources is critical to human settlements development, but decentralization is also important to bring decision makers into closer contact with the realities of the city on the ground, and so that citizens can hold them accountable for the decisions they make. The benefits that can flow from representative Government in cities can be seen from the well-publicized successes of Curitiba and Porto Alegre in Brazil, Bulawayo in Zimbabwe, and in the participation of citizens on the boards of utilities in Bogotá, Colombia. [110] In contrast, it has been said that the prime reason underlying Bangkok's urban problems has been an inability to translate widespread public frustration with existing conditions into the political pressure necessary to compel the State to manage the city effectively. [111] The quality of urban governance determines the extent to which a city harnesses the advantages, and avoids the disadvantages, of being a city. [112]

Box 20. **The basic features of good urban governance** [113]

- An organizational structure with well-developed and transparent functions.
- Strong accountability mechanisms and linkages between authority and performance.
- Continuous monitoring of service-delivery and programme implementation, within a clear framework of incentives, penalties and rewards.
- Continuity and stability of personnel, good-quality staff and training.
- A political climate which encourages and facilitates citizen participation, pluralism and NGO/CBO activity.
- A commitment to public-private partnership.
- Real decentralization (i.e. local control over resources).
- Adherence to basic principles (efficiency, transparency and accountability) rather than transplanting western models.

136. Good urban governance is also necessary if vested interests and blockages in the city are to be confronted successfully. Market imperfections, speculation, and non-representative Government rarely reform themselves without external pressure. So it is vital that broad-based constituencies are forged which are capable of exerting pressure for reform from the bottom up. Of course, different groups of citizens have different (and often conflicting) interests; systems of urban governance must therefore be able to mediate between these interests so as to secure an outcome which is favourable both to as many groups in the city as possible, and to the interests of the city as a whole. If poor people are to benefit from these decisions, experience shows that they must directly be involved in decision-making. Coalitions of CBOs and NGOs often play a crucial role in this respect, representing the interests of constituents (if they are membership organizations), or supporting and advising them (if they are NGOs). National federations like CONAMUP in Mexico, CONAVIP in Colombia and the Metropolitan Leadership Coalitions in some United States cities have secured a high level of participation by groups of poor people in decision-making over shelter at both the municipal and national levels. [114]

137. In this respect it is vital that Governments and donor agencies respect the independence and advocacy role of CBOs and NGOs, and do not treat them only as service providers on contract to the State. Experience shows that partnerships work best where Government has a positive social agenda and NGOs are strong and independent actors. This requires enough political space for NGO activity and a supportive legal and fiscal framework. [115] The quality of urban management is a determining factor here.

E. *The challenge and potential of urban management*

138. The main challenge for city managers is how to manage human settlements development in a rapidly-urbanizing world in such a way as to satisfy the socio-economic and environmental objectives of sustainable development, overcome the limitations of past policies, and satisfy increasing demands for democratic governance and self-determination. [116] To do this they must:

(*a*) Promote more sustainable resource use in the city;

(*b*) Ensure a balance between supply and demand in land and housing markets;

(*c*) Use their regulatory powers to promote resource-conserving settlement patterns;

(*d*) Invest in needed infrastructure and services;

(*e*) Enhance the attractiveness of the city to new investment; and

(*f*) Encourag · public-private partnerships. [117]

139. As earlier sections of this report made clear, managers must also develop the skills and attitudes required to deal with diversity, mediate and negotiate, listen and learn - to facilitate rather than direct. Every intervention is likely to create new and unforseen problems and opportunities, creating an ever more complex web of interests and influences which makes the job of managers much more difficult. But the right skills and attitudes can certainly help managers to respond successfully to rapidly changing circumstances in the city; this means leaving the details of micro-management to others.

140. However, experience shows that old attitudes and agendas are extremely persistent in all bureaucracies, and inertia must be addressed by using stronger incentives and penalties for staff, as well as enforcing accountability. This is particularly difficult to do in poorly-resourced bureaucracies; with less than US$ 5 per head per year to spend, many cities in developing countries have very little room for manoeuvre in their handling of the immensely complex tasks which face them, and it is therefore foolish to consider urban management as a panacea. Even worse, cities are often dependent for their revenue on central Governments which may not prioritize their interests; and they will also have to confront conflicts of interest within the city itself - for example between the city centre and the suburbs, often reinforced in industrialized countries by the politics of race and class. In tackling these problems, successful cities (such as San Diego, Houston, Indianapolis and Barcelona) have found that it is essential to force suburban interests to bear some responsibility for inner-city development. [118] This brings us back to the importance of representative governance as a mechanism for resolving conflicts and making cities work to the benefit of the poor.

F. *Scale and impact*

141. Innovations in urban management, governance and partnership are of little use if they are insignificant in scale, fail to reach their target group, or dissolve when external support is withdrawn. Yet a consistent finding of the Habitat Reviews is that successes in shelter and human settlements tend to be, and to remain, vulnerable to all three problems. There are some examples of innovations which have gone to scale (listed in boxes 21 and 22), but these are exceptions rather than the rule. For example, the much-publicized success of land-sharing in Bangkok has only reached a few thousand people; less than 10,000 hectares of land have been readjusted in Indian cities; the Philippines Joint Venture Programme had only completed 4,000 dwellings by 1989 (and then not within reach of the poorest 30 per cent of the population); and social housing in Canada contributes less than 4 per cent of the total housing stock. [119] Such innovations have failed to make a lasting impact on systems of land provision, housing finance and infrastructure.

Box 21. Approaches to scaling-up [120]

- Organizational and/or programme growth: find a successful intervention and replicate it on a bigger scale. The 1.5 million homes programme in Sri Lanka, for example, grew out of the earlier and smaller Million Homes Programme. Neither achieved their targets but certainly reached hundreds of thousands of people, with high levels of community participation and responsibility. This is the most common strategy for scaling-up, but requires very careful management to avoid bureaucratization and may ignore the special factors (such as charismatic leadership) which underlie initial success.

- Use multipliers: work with Government or other large structures to encourage them to adopt new approaches on a large scale. FONHAPO, the Mexican Popular Housing Fund, for example, grew out of earlier, smaller-scale experiences in credit-promotion by local NGOs like CENVI. Before it was suspended (due to a change in the macroeconomic and political climate) FONHAPO reached almost 250,000 low-income families with affordable credit. It is vital to link small-scale experiments with structures and institutions which can combine scale with sustainability (e.g. banks, Governments, and popular movements).

- Take the skills and capacities required to operate at large scale and diffuse them through other organizations through training, experience-sharing, and documentation, e.g. the Urban Management Programme. The institutional capacity to manage growth is a prerequisite for scaling-up.

Box 22. Scale, reach and sustainability - the experience of FONHAPO [121]

FONHAPO (the Mexican Fund for Popular Housing) was created in 1981 with the objective of doubling the low-income housing stock by the year 2000 by providing credit to low-income builders. Loans were made to groups and organizations, not to individuals, and titles were held collectively until loans were fully repaid. In total, 250,000 households benefited from the scheme with a repayment rate of over 97 per cent. A number of factors lay behind the success of FONHAPO:

- Flexibility in the use of loans;
- Few technical standards but demanding social standards to ensure the continuity of the community-level processes essential to success (e.g. a fixed number of members participating in collective decisions);
- Setting loan repayments in line with the economic capacity of borrowers;
- Index-linking repayments to inflation to preserve the capital value of the Fund, plus a 2 per cent service charge to cover administrative costs;
- Access to a land bank established by the Mexican Government in the late 1970s.

142. Experiments which have gone to scale have often faced problems with sustainability; this has been the experience of the Indian Slum Upgrading programme supported by the British Overseas Development Administration where, over time, community interest and involvement declined. [122] A similar experience has been reported from the Philippines Community Mortgage Programme, where loan repayments have been declining over time. [123] Planners have had to struggle with a trade-off between large-scale coverage (which risks excluding the poorest), and in-depth action (which, often because it requires heavy subsidies, is difficult to sustain).

143. One way of addressing these problems is to focus more on linkages (between small-scale successes and larger-scale institutions and structures), capacities (required to underpin success on a large scale), and practices (rather than projects and programmes). In this sense good urban governance is also the key to scaling-up. These approaches can help to avoid the problems associated with organizational or programme growth (such as increasing administrative costs and a decline in quality) by placing the emphasis on scaling-up the more fundamental factors which underpin success. They are also less vulnerable to variations in context and the special (non-replicable) factors that are always important, such as charismatic leadership. For example, small amounts of public or NGO funds can be used to leverage much larger amounts from private capital markets, as with the Community Development Banks now operating in many United States cities. [124] However approached, it is vital that more effective ways be found to scale-up the impact of successful innovations in shelter and human settlements if any real inroads are to be made on the situation of the urban poor.

G. *Making human settlements sustainable*

144. Sustainability in the project or programme sense is one thing; sustainable development is quite another, and more challenging still. The task ahead is clear: sustainable human settlements must ensure sustained economic development, secure employment opportunities and equitable social progress with the least possible detrimental impact on the environment. [125] But how to accomplish this task is not clear, especially given the powerful forces which work

against sustainable development in cities and the resource shortages facing urban managers in poor countries. In some respects, cities offer distinct advantages over dispersed populations in terms of sustainable development: high densities mean lower per capita costs in service provision, greater concentrations of consumption and production with more possibilities for the efficient use of resources and energy-conservation, a reduced demand for land relative to population, and considerable potential for limiting the use of motor vehicles through public and non-motorized transport. [126] But in other respects rapidly growing industrial cities with few curbs on energy-intensive production and consumption are the greatest threat to global sustainability.

145. In making use of these advantages and combating these threats, successful cities are able to meet the different goals of their inhabitants without passing on significant costs to other people, future generations, or to the surrounding region. This requires good governance as laid out above, in order to check unsustainable practices and allow everyone a voice in decision-making. It also means that city authorities must be concerned for the impact of city-based production and consumption outside the boundaries of their city, and take account of the finite nature of resources and ecosystems in the regional, national and international contexts. These are new challenges for managers and politicians who have been used to a focus on local concerns and constituencies.

146. Sustainable development is not simply a matter of natural resources and ecology; it is also, and as much, a matter of achieving social and economic equity, integration and stability - a new harmony between natural and human systems which guarantees every citizen a basic level of security and satisfaction. In the human settlements context, this means two things; first, avoiding exclusion through the creation of adequate income-earning opportunities and the improvement of living and working conditions for all social strata; and secondly, improving governance through the democratic decentralization of decision-making to accountable and transparent authorities. [127] Underlying even these far-reaching actions, however, are the changes in personal consumption patterns, relationships and values without which sustainable development will remain a distant mirage.

H. *Issues of difference*

147. Sustainable urban development is impossible if some groups benefit at another's expense, or are excluded completely from the benefits of social and economic progress in the city. Although considerable progress has been made in promoting gender-awareness in shelter and human settlements, there is little evidence that this has much of an impact on policy or programmes, nor that women's strategic needs and interests are being addressed (as opposed to their more immediate, practical interests). There is also some evidence that violence against women is on the increase in some cities, especially those undergoing traumatic economic change and a rapid rise in social and ethnic inequality.

148. In reversing this situation there are two essential priorities: increasing women's direct participation in formulating policies (an aspect of urban governance), and ensuring that all human settlements policies include measures which are specific to women's needs. Without exception, the Habitat Reviews conclude that both are poorly-recognized in current practice. Most successes have been limited to NGO/CBO programmes, rather than being institutionalized into Government or other mainstream structures (an illustration of the problems of scaling-up highlighted above). There has been little progress on the key issue of women's entitlements to land and housing, and the legal status of these entitlements (though some innovations have been made in the field of credit). This is an issue of control over resources and assets, and therefore of empowerment.

149. There has been even less progress in responding to the needs and priorities of other, traditionally marginalized, groups in the city such as children, youth, and the elderly. In each case, the causes of exclusion, and the possible solutions, have much in common. More forceful, targeted action is required, backed up by concrete incentives and penalties at all levels of bureaucracies, over the long term.

I. *Closing the policy-implementation gap*

150. The widespread failure to convert gender awareness and training into concrete progress is a particular illustration of a more general problem which has bedeviled progress in shelter and human settlements over many years: the huge gap which exists between rhetoric and reality, principle and practice. Clearly, this is one of the most important strategic issues of all. This is not really a problem of knowledge - with some exceptions (e.g. the dynamics of informal markets) we already know what needs to be done, and how. The real problem is that knowledge is not converted into action. The policy framework embodied in the Global Strategy for Shelter to the Year 2000 is accepted by all, again with some differences of emphasis (e.g. the balance between intervention and liberalization in markets). But policies are not translated into practice, especially in the most difficult areas of all such as land and finance.

151. Closing these gaps requires stronger and more continuous pressure for reform and results, exerted both from the bottom upwards and from the top downwards in new strategic alliances, to act as a counterweight to the power of vested interests and bureaucratic inertia. Good urban governance, political support from the centre, and support from international donor agencies, are all important here. Equally crucial are stronger incentives for local government performance, and control over resources at municipal level so that policy, implementation and accountability are brought closer together.

152. However, knowledge and information are not irrelevant in this task. Successful human settlements development requires the institutionalization
of a culture of learning, prioritizing the sharing of information and experience at all levels and adequate resourcing and capacity-building for action-research. A strong international authority charged with facilitating these information flows remains a key component of effective global learning. [138]

SUMMARY

- Cities are good for development if they can be made successful in social and environmental as well as economic terms, for all their citizens.

- Success in these terms depends on finding the right balance between strong government intervention (in land and finance, and environmental management) and market liberalization. This will help to avoid social and economic exclusion while releasing the energies and resources of all the actors in the city.

- Finding this balance depends on a representative and accountable system of urban governance which enables less powerful groups to have a voice in decision-making and enables local authorities to confront vested interests and bureaucratic inertia. The quality of governance determines the extent to which a city harnesses the advantages, and avoids the disadvantages, of urban development.

- Innovations in human settlements and shelter must achieve greater scale, poverty-reach and sustainability. To do this they should focus on linkages, capacities and practices rather than projects and programmes.

- Overall there has been a failure to close the gap between policy and implementation in human settlements. This requires new strategic alliances to exert pressure for reform and results, from the bottom upwards and the top downwards, coupled with a learning culture and free flows of information.

VI. POLICY FOR THE FUTURE

153. Sustainable human settlements development is not simply a technical issue; at root it is an issue of politics and power, fairness and equity, values and relationships. Neither States nor markets are sufficient to ensure adequate shelter for all. What is needed is a new synthesis of public, private and third sectors in order to transform shelter from an expensive commodity into an affordable social entitlement; and a new set of values and relationships which prioritize equity and conservation over short-term gain. Habitat II provides another opportunity for members of the international community to recommit themselves to these goals. If the Istanbul Conference is successful in gaining agreement on a concrete, achievable plan of action backed by the necessary financial resources and mechanisms for follow-up, it will be remembered, not simply as the last of the mega-gatherings of the 1990s, but as the first step toward a new style of development cooperation for a sustainable world.

154. We live in an urbanizing world, and one in which the dangers of rising urban inequality and environmental degradation are all too clear. Faced by these trends it is tempting to call for sweeping changes and global commitments, and/or to resort to one of the supposed panaceas for successful human settlements development which have been proposed at various times over the past 20 years - self-help, enabling markets to work, public-private partnership, urban management, NGOs, good governance and so on. But there are no panaceas in sustainable development, only a continuing process of action and learning to make more of the inherent strengths of cities, for more of their citizens - to make human settlements development more equitable and more sustainable, as well as more efficient. This inevitably involves trade-offs and negotiations between different development priorities, groups within the city, and components of the economy. The outcomes of this process will vary greatly from one situation to another.

155. There is another reason for avoiding detailed policy prescriptions in a report of this sort, and this concerns the credibility gap which already exists between the declarations and the practical outcomes of previous United Nations conferences. "The repeated contrast between monumental goals and flagging results is a serious cause of scepticism." [129] This is partly a result of political realities (which are always more intractable) and likely resource allocations (which are always lower than anticipated), and partly due to the weakness of follow-up mechanisms, monitoring, performance indicators and accountability. The failure to specify who is going to finance recommended policy measures has been criticized as a weakness in the draft Plan of Action for Habitat II, along with an over-concentration on longer-term goals to the exclusion of shorter-term objectives.

156. In addition, the globalization of the economy highlighted in part II
and the sheer power of market forces and private capital should make all the delegates to Istanbul conscious of the relatively restricted room for manoeuvre held by Governments and donors at local, national and international levels in the contemporary world. This is not an argument against the power of policy nor the importance of international cooperation; but it is cause for realism and a warning to those, in the words of the Secretary-General of Habitat II, who pursue a vigorous negotiating process which may be inimical to the very idea of globality. [130]

157. More aid of the right sort to human settlements is essential, but it needs to be coordinated more closely so that host Governments are not overwhelmed by competing initiatives. Incentives to multi-agency funding, a consortium-based approach to external assistance, and concentration on a small number of strategic areas (such as the brown agenda and urban poverty) are required here. [131] Aid, however, can only provide a very small proportion of the resources required, and must act as a catalyst for investment by people and business if it is to lead to sustainable improvements. More attention to learning and sharing of information and experience is essential, facilitated by UNCHS in close partnership with Member States, NGOs, research institutions and other international agencies.

TEN GOOD POLICIES THAT WILL MAKE A DIFFERENCE FOR SUSTAINABLE HUMAN SETTLEMENTS

1. Welcome the benefits and opportunities provided by the growth of cities, but combat urban inequality and environmental degradation. Otherwise the cost of cities will outweigh their benefits in the long term.

2. Release the energies and tap in the resources of people and businesses, but don't leave everything to markets. Governments must coordinate the actions of others, monitor, and correct abuses. Freedom to build must be balanced by a duty to protect the interests of the poor.

3. The best way to protect the interests of poor people where government resources are scarce is to attack supply constraints on a very large scale, especially in land and finance. Use positive measures (such as guided investments) rather than negative measures.

4. Strengthen the structures of urban governance and the institutions of the city - economic, political and civic. Create an enabling framework for civic action - respect NGOs and CBOs as independent expressions of civil society. Adapt universal principles of transparency, accountability and representative governance to the local situation. Always involve women.

5. Maximize the use of public-private partnerships to draw in additional resources and capacities, but don't confuse private with commercial. All partners must receive benefits from their participation.

6. Concentrate on scaling-up successful ideas, attitudes and approaches, not just projects and programmes. Use scarce public and NGO funds to lever additional resources from larger structures and institutions on a sustained basis. Strengthen links between formal and informal structures.

7. Strengthen government capacities at all levels, but don't see urban management as a panacea. Enhance local control over resource-raising and spending with accountable structures and transparent performance-monitoring. Policy can make a difference, even when resources are scarce.

8. Don't take on too much: focus on a small number of key intersectoral issues such as urban poverty, the brown agenda, and supply constraints, and lay down time-bound goals and strategies to address them. Maximize learning.

9. Don't divorce shelter and human settlements from wider economic, political and social policies. Adopt the holistic approach.

10. Make policy according to the local situation, not imported models or ideologies. Globally-driven market economics does not supply all answers to equitable and sustainable human settlements development.

Appendix

LIST OF DOCUMENTS REVIEWED

Note. The letters in bold at the end of the title of each of the following reports are used in the endnotes to identify sources without giving the full title in every case, e.g. GR = The Global Report on Human Settlements.

1. State of Human Settlements Report (the Global Report on Human Settlements): **GR**.

2. Review of Trends in Policies and Programmes Undertaken by Countries and International Organizations to Implement the Recommendations adopted by Habitat: United Nations Conference on Human Settlements, and Review of National Action to Provide Housing for All since Habitat: United Nations Conference on Human Settlements: **NAT**.

3. Mid-term review of the Implementation of the Global Strategy for Shelter to the Year 2000: **GSS**.

4. Mid-term review of the Implementation of the Global Strategy for Shelter to the Year 2000: Overview of Survey Findings, Examples of Best Practice and External Support for Implementation of the Strategy: **BP**.

5. Review of the Contribution of Agenda 21 of National and International Action in the Area of Human Settlements, and Recommendations for Future
Action at the National and International Levels: **A21**.

6. Sustainable Human Settlements Development: Implementing
Agenda 21: **AG21**.

7. Review of Current Global Trends in Economic and Social Developments
as They Affect Planning, Development and Management of Human Settlements,
and Recommendations for Future Action at the National and International Levels: **CGT**.

8. Sustainable Human Settlements in an Urbanizing World, Including Issues Related to Land Policies and Mitigation of Natural Disasters: **SHS**.

9. From Vancouver to Istanbul: Persistent Problems, Common Goals, Shifting Approaches - A Report on the Interrelationship between Habitat II and Other United Nations Conferences: **HAB**.

Notes

1. *The Economist*, 29 July 1995, Special Survey on Cities, p. 4.

2. NAT, p. 3.

3. *Economist*, op. cit., p. 4.

4. See A21.

5. Cited by A. Fowler, "Assessing NGO Performance: Difficulties, Dilemmas and a Way Ahead", in M. Edwards and D. Hulme (eds.), *Beyond the Magic Bullet: NGO Performance and Accountability in the Post-Cold-War World*, Earthscan, London, Kumarian Press, West Hartford, 1995.

6. *Economist*, op. cit., p. 4.

7. CGT, p. 8.

8. CGT, p. 111 (data abstracted from table 81) and p. 10.

9. CGT, p. 14.

10. NAT, p. 15 (long version).

11. CGT, p. 5.

12. GR, pp. 3-16.

13. This is the estimate reached by GR.

14. NAT, p. 15 (longer version).

15. See Moser, C., Herbert, A., and Makonnen, R., *Urban Poverty in the Context of Structural Adjustment; Recent Evidence and Policy Responses*, TWU Discussion Paper 4, Urban Development Division, World Bank, Washington D.C., 1993.

16. CGT, p. 3.

17. CGT, p. 13.

18. NAT, p. 2.

19. NAT, p. 12 (longer version).

20. GR, pp. 10.1.1 and 2-19.

21. CGT, p. 18.

22. CGT, p. 20.

23. CGT, p. 116.

24. GR, p. 2-34.

25. From *World Urbanization Prospects 1991* (United Nations, New York).

26. GR, p. 2-69.

27. CGT, p. 21. "Informal" settlements are defined as those failing to conform to legal norms and/or zoning and building regulations.

28. NAT, p. 2.

29. GR, pp. 8-2.

30. GR, pp. 8-7.

31. GR, pp. 8-11.

32. GR, pp. 6.4-5.

33. Ibid.

34. CGT, p. 94.

35. Data from GR, p. 6.1-6, tables 6.3, 6.5 and 6.7. Original data from the Housing Indicators Programme. The "house price to income ratio" is the number of years of income required to purchase a house. A ratio of 5 or more means that very few people can afford to buy. The "rent to income ratio" is the median annual rent compared to median annual income, i.e. the proportion of total income spent on rent.

36. This is the conclusion of both GR and NAT.

37. *Economist*, op. cit., p. 13.

38. CGT, pp. 14-15.

39. CGT, p. 74, table 3.

40. CGT, p. 74, table 2.

41. *Sources*: A21, p. 48; CGT, p. 9.

42. Taken from HAB, p. A-8.

43. GR, pp. 13-15.

44. GR, pp. 13-8.

45. See A21 for detail on this.

46. SHS, p. 6.

47. A21.

48. SHS, p. 7.

49. A21, p. vi.

50. *Source*: A21, p. 44.

51. GR, 10.5-5.

52. *Source*: A21, p. 10.

53. NAT.

54. Cited in "The Human Face of the Urban Environment", ESD Proceedings No. 5, 1994, p. 43 (World Bank, Washington D.C.).

55. GR, 12.4-2 (applied to decentralization in the original).

56. *Sources*: *Evaluation of Experience with Initiating Enabling Shelter Strategies*, UNCHS, Nairobi, 1991, pp. 40-45; and M. Edwards and D. Hulme, op. cit.

57. Data abstracted from GR table 6.4, p. 6.1-7.

58. GR, p. 5.5.

59. GR, p. 5.6 (1991 data).

60. *Economist*, op. cit., p. 14.

61. GR, p. 6.3-1.

62. GR, p. 6.10-1.

63. NAT.

64. HAB, p. A-8.

65. *Sources*: GR, pp. 11-12 to 11-15; NAT.

66. Summarized from *Public/Private Partnerships in Enabling Shelter Strategies*, UNCHS, Nairobi, 1993.

67. This is the conclusion of most of the reports reviewed, especially GR and NAT.

68. *Global Shelter Strategy to the Year 2000*, UNCHS, Nairobi, 1988.

69. BP, p. 2.

70. GSS, p. 5; NAT, pp. 6-7.

71. World Bank/UNCHS cited in GSS, p. 6.

72. *Sources*: GSS, pp. 22-5; NAT, pp. 6, 7, 13.

73. BP, p. 6; NAT, pp. 6-7.

74. NAT, p. 14.

75. A21, p. 14.

76. BP, p. 14 (citing the Asian Development Bank).

77. *Source*: NAT, pp. 16-17.

78. GR, p. 6.1-7.

79. GR, pp. 6.1-5 to 6.1-7.

80. GR, p. 6.3-20.

81. *Source*: NAT, p. 8.

82. *Source*: GR, pp. 10.4-5 and 10.4-8.

83. GR, chap. 7.

84. NAT.

85. GR, p. 8-3.

86. GR, p. 8-24.

87. NAT, pp. 11-12.

88. NAT, p. 12.

89. See the Preliminary Summary of the Habitat II Conference on Urban Finance, Washington D.C., 10-13 September 1995.

90. GSS, p. 46.

91. Habitat II Urban Finance Conference, op. cit.

92. Habitat II Agenda, p. 5, para. 31.

93. Enabling Sustainable Community Development, ESD Proceedings No. 8, World bank, Washington D.C., 1994.

94. *Sources*: BP, pp. 10-11; NAT.

95. *Source*: BP, pp. 11-12.

96. GR, p. 6.2-4.

97. GR, pp. 11-38.

98. BP, p. 28; NAT, p. 10.

99. GR, pp. 12-16.

100. BP, p. 5.

101. GR.

102. BP.

103. NAT, p. 17.

104. GR, p. 13-7.

105. Janice Perlman, Mega-Cities Project. "Promising Solutions at the Intersections of Poverty and the Environment", in Enabling Sustainable Urban Development ESC Proceeding No. 8, Sereageldin, I., Cohen, M. A., and Leitmann, J., eds., World Bank, Washington, D.C., September 22-23, 1994, p.18.

106. Cited in *The Economist*, op. cit., p. 3.

107. GR, p. 11-6.

108. GR, p. 11-6.

109. GR, p. 14-9.

110. NAT, p. 20.

111. See for example C. Setchell, "The growing environmental crisis in the world's mega cities: the case of Bangkok", in *Third World Planning Review*, vol. 17 (1), pp. 1-18, 1995.

112. GR, p. 14-16.

113. *Source*: NAT, p. 19.

114. NAT, p. 20.

115. See M. Edwards and D. Hulme, op. cit.

116. GR, p. 14-1.

117. GR, p. 14-16.

118. *The Economist*, op. cit.

119. NAT, p. 17.

120. A good summary of issues concerning scaling-up is contained in M. Edwards and D. Hulme, op. cit. (Making a Difference).

121. *Source*: GR, p. 12-3.

122. NAT.

123. NAT, p. 18.

124. Habitat II Finance Conference, op. cit.

125. Habitat II Agenda, 1995, Part II.

126. GR, pp. 14-2 and 14-3.

127. GR, p. 14-6.

128. CGT, p. 68.

129. HAB, pp. A-13 and A-17.

130. Dr. Wally N'Dow, cited in HAB.

131. A21, p. vi.